



MAIN FILE

Shaw Environmental & Infrastructure, Inc.

Shaw Environmental and Infrastructure, Inc.

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Baton Rouge, LA 70809
225-932-2500
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VIA HAND-DELIVERY

June 18, 2007

Mr. Bijan Sharafkhani, P.E.
Administrator, Waste Permits Division
Louisiana Department of Environmental Quality
Post Office Box 4313
Baton Rouge, Louisiana 70821-4313

RECEIVED

JUN 18 2007

LDEQ

RE: Response to Second Notice of Deficiencies
Occidental Chemical Corporation, Taft Facility
Rainwater & Wastewater Treatment System
✓ **AI # 1137/PER 20010002**
GD-089-1288/P-0262

original to TOSW
copy to SWA | TOWNS
AK

Dear Mr. Sharafkhani:

On behalf of our client, Occidental Chemical Corporation (OxyChem), Shaw Environmental and Infrastructure, Inc. is submitting this Response to the Department's Second Notice of Deficiencies (NODs) letter, dated February 6, 2007, regarding the above-referenced facility. This submittal contains OxyChem's responses to the NOD comments and revised responses to the regulations.

Enclosed are five copies of this NOD response for LDEQ's review. Please contact me at 225.932.2741, or Valerie Mayhall, at 225.987.7391, should you have any questions or require any further information regarding this request.

Sincerely,

SHAW ENVIRONMENTAL AND INFRASTRUCTURE, INC.

Boyd Boswell
Environmental Scientist

JBB/vm

Enclosures

cc: Mr. Hoa Van Nguyen, *LDEQ*
Mr. Drukell B. Trahan, *LDEQ*
Mr. Bryan McDowell, *Occidental Chemical Corporation*

**RESPONSE TO NOTICE OF DEFICIENCY (NOD)
SOLID WASTE PERMIT RENEWAL APPLICATION -
RAINWATER AND WASTEWATER TREATMENT SYSTEM**

***Occidental Chemical Corporation, L.L.C.
Hahnville, Louisiana
St. Charles Parish
Agency Interest Number 1137***

RECEIVED
JUN 19 2007
LDEQ

June 2007

Prepared for:



Occidental Chemical Corporation, L.L.C.
266 Highway 3142
Hahnville, Louisiana

Prepared by:



Shaw™ Shaw Environmental, Inc.

Shaw Environmental, Inc.
4171 Essen Lane
Baton Rouge, Louisiana 70809



**Occidental Chemical Corporation, L.L.C.
Taft Facility/Rainwater & Wastewater Treatment System
Solid Waste Permit Application – Second NOD Response**

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**Occidental Chemical Corporation, L.L.C.
Taft Facility/Rainwater & Wastewater Treatment System
Solid Waste Permit Application – Second NOD Response**

1.0 Introduction

The purpose of this document is to address deficiencies noted during the Louisiana Department of Environmental Quality's (LDEQ) technical review of the initial NOD response for the Rainwater and Wastewater Treatment System, submitted on November 27, 2006, by the Occidental Chemical Corporation, Taft Plant (OxyChem). This document contains clear and concise responses to each of the deficiencies noted in LDEQ's Notice of Deficiencies (NOD) letter dated February 6, 2007 (Appendix A). Each deficiency noted in the LDEQ letter is addressed separately below in an "LDEQ Comment" and "Response" format. In addition, the responses to the specific regulations have been updated to incorporate revisions made in response to LDEQ's NOD letter.



**Occidental Chemical Corporation, L.L.C.
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Solid Waste Permit Application – Second NOD Response**

2.0 Responses to Notice of Deficiencies (NODs)

Permit Writer Comments

General

Please provide the following sections in the final form of the permit application:

- **The revised Part LAC 33:VII.519 (Part I).**
- **The revised Part LAC 33:VII.520.**
- **The response to financial assurance under 521.L and under Chapter 727 with all appendices related to financial assurance.**

Response:

The requested documents are attached hereto in final form. The revised Part I Form is contained in the attached *Appendix B*. The revised response to LAC 33:VII.520 is contained in the attached *Appendix C*. The responses to financial assurance requirements under LAC 33:VII.521.L are contained in the attached *Appendix D*.

521.A.1.e.iii.

Revise the response to this section due to the change in the responses to wetlands in 521.A.1.e.i. & ii. Original response states that there are no wetlands within 1000 feet of the facility perimeter; and the revised response states that there are wetlands within 1000 feet.

Response:

This response has been revised to address measures planned to protect the wetlands mentioned in responses to LAC 33:VII.A.1.e.i. and ii from the adverse impact of operation at the facility.

The revised response to this regulation is as follows:

As stated, there are no known historic sites, recreation areas, designated wildlife-management areas, swamps or marshes, habitats for endangered species, or other sensitive ecologic areas within 1,000 feet of the facility perimeter. There is a known archaeological site located within 1,000 feet of the facility, but the solid waste activity, as described in this permit application, is not expected to impact this site in any way. Therefore, no measures need be planned to protect said archaeological site. There are also wetlands within the boundaries of the OxyChem property. These wetlands are located in the southern part of the property. In addition, there are forested wetlands located directly south of the site. Two containment ponds provide a combined



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retention capacity of 26.5 million gallons in order to minimize the potential for any process contaminated rainwater runoff from flowing into the wetlands south of the site. These ponds are operated to ensure sufficient freeboard and to prevent overtopping. All other storm water flows to the wetlands are from undeveloped areas and/or areas not associated with industrial activity.

521.F.1.

Provide a certification that meets the standard of LAC 33:VII.713.B.1 in an appendix or directly in this response. Please be advised that the certification provided at the beginning of the permit application doesn't meet the standard.

Response:

A revised certification is provided in *Appendix E* of this NOD Response Document. In addition, the certification contained in the permit application document has been replaced with this revised one.

The revised response to this regulation is as follows:

A certification in accordance with LAC 33:VII.521.F.1 is provided in *Appendix Q* of this permit application. LAC 33:VII.713.B.1. requires that plans, specifications, and operations represented in the permit application be prepared under the supervision of and certified by a registered engineer, licensed in the state of Louisiana.

The Rainwater and Wastewater Treatment System was constructed in the early 1970s and was designed under the direction of OxyChem Corporate Engineering (Corporate Engineering), which was at that time located in Niagara Falls, New York. Corporate Engineering had several licensed civil engineers on staff at that time; we are reasonably certain that the plans and specifications for the Rainwater and Wastewater Treatment System were prepared under the supervision of one of the licensed civil engineers at Corporate Engineering.

Facility representatives were able to locate two design drawings stamped by a registered engineer. These drawings are: the "Suspended Solids Removal System Settling Pond-Outlet Weir and Trough Design" and the "Suspended Solids Removal System Settling Pond General Notes Longitudinal Section Design". However, facility representatives were unable to locate any additional design drawings stamped by a registered engineer. The Rainwater and Wastewater Treatment System has been in continuous operation for approximately thirty (30) years (since the early 1970s). The original permit for the facility was issued by LDEQ on August 23, 1991. The facility was constructed and commenced operations prior to the promulgation of the initial Solid Waste Regulations. Thus, the pond pre-dated any regulatory requirements, and drawings were not certified by a licensed civil engineer, in part because there were no requirements to do so at the time.



**Occidental Chemical Corporation, L.L.C.
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521.J.1.b.

Provide the date of the estimates for Closure Cost Table and Post-closure Cost Table in Appendix G of the response to NODs.

Response:

The cost estimates for closure and post-closure care were calculated on March 31, 2006. These estimates will be adjusted within 30 days of the anniversary date of their calculation.

The response to this regulation has been revised as follows:

The method and steps used to close the facility, as well as itemized closure and post-closure estimates (in 2006 dollars), are included in the Closure/Post-Closure Plan (*Appendix K*). The cost estimates for closure and post-closure care were calculated on March 31, 2006. These estimates will be adjusted within 30 days of the anniversary date of their calculation.

OxyChem will notify the administrative authority at least 90 days before closure or intent to close, seal, or abandon individual units within the facility. The notification will include the following information:

- a. The date of planned closure;
- b. Any changes requested in the approved Closure Plan;
- c. Closure schedule and estimated cost; and
- d. Certification that the closure is to be performed in accordance with the approved closure plan.

Liquids associated with the Rainwater and Wastewater Treatment System will be removed from the facility, but the facility will be closed with some impacted soils/sludges remaining in place. The levee system will be maintained, and modified as necessary, to prevent overflow to adjoining areas during the closure period for the facility.

The steps necessary to close the facility are:

- Plugging and abandoning well MW-410C by the methods presented in the Groundwater Monitoring Plan.
- Pumping accumulated surface water in the facility to the effluent treatment system.
- Removal of recoverable equipment.
- Removal of concrete foundations and non-reusable process equipment associated with the facility.
- Soil/sludge stabilization, if necessary.



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- Rehabilitation of impoundment area and installation of final cover. The remaining solids will be graded level. The existing facility levee will be collapsed into the impoundment, and a 24-inch clay cap will be installed.
- After closure inspection and approval by the Waste Permits Division, a vegetative cover will be planted to prevent erosion to the cap.
- Closure Documentation. Closure certification and inspection by a registered professional engineer. Periodic on-site closure inspection, review of all closure records, inspection of final closure, and preparation of a final report.

Upon completion of facility closure, OxyChem will update the St. Charles Parish mortgage and conveyance records as required by the Louisiana Solid Waste Rules and Regulations. Proof of this recordation will be provided to the Waste Permits Division.

521.L.2.

Provide the entire OXY Annual Report, include form 10-K.

Response:

Appendix M of the permit application document has been revised to include the complete 2005 OXY Annual Report, which includes the Form 10-K.

The revised response to this regulation is as follows:

The Taft facility is owned by Occidental Chemical Corporation, a wholly-owned subsidiary of Occidental Petroleum Corporation. Occidental Chemical Corporation's current (2005) published Annual Report, which includes the Form 10-K, is located in *Appendix M*.

521.L.3.

Respond to this requirement and all applicable standards in 727.A.1. The response to this section should indicate that the financial assurance mechanism for the facility during operation is the Solid Waste Facility Certificate of Liability Insurance that has been submitted.

It is noted that the updated Certificate of Insurance package in Appendix I of the response to NODs includes three certificates for three different sites. Please be advised that for the purpose of this permit application provide the certificate applicable to this facility only.



**Occidental Chemical Corporation, L.L.C.
Taft Facility/Rainwater & Wastewater Treatment System
Solid Waste Permit Application – Second NOD Response**

Response:

The revised response to LAC 33:VII.521L.3. is provided below. All applicable standards in LAC 33:VII.727.A.1. are addressed in the Financial Assurance Section (*Section 727*) contained in *Appendix D*. A signed and dated copy of the Solid Waste Facility Certificate of Liability Insurance is provided in *Appendix G*. The Certificates of Insurance for the other two facilities have been removed.

The revised response to this regulation is as follows:

Evidence of OxyChem's liability coverage is the Solid Waste Facility Certificate of Liability Insurance, which has been submitted, and which is also included in *Appendix M*. The Certificate of Liability Insurance meets all of the requirements for financial responsibility during operation specified in LAC 33:VII.727.A.1. Responses to these requirements are contained in the Financial Assurance Section 727 in *Appendix P*.

521.L.4.

Respond to this requirement and all applicable standards in 727.A.2. The response to this section should indicate that the financial assurance mechanism for closure and post-closure care for the facility is financial test and corporate guarantee that have been submitted.

Response:

Evidence of the financial assurance mechanisms for closure and post-closure care for the Rainwater & Wastewater Treatment System are the financial test and corporate guarantee, which have been submitted. This evidence is included in *Appendix G* and *Appendix H*. The OxyChem financial test and corporate guarantee meet all of the requirements for financial responsibility for closure and post-closure care specified in LAC 33:VII.727.A.2. Responses to these requirements are included in the Financial Assurance Section (*Section 727*), contained in *Appendix D*.

The revised response to this regulation is as follows:

Evidence of OxyChem's financial assurance mechanism for closure and post-closure care for the facility are the financial test and corporate guarantee, which are included in *Appendix M*. The OxyChem financial test and corporate guarantee meet all of the requirements for financial responsibility for closure and post-closure care specified in LAC 33:VII.727.A.2. Responses to these requirements are contained in the Financial Assurance Section, *Section 727* (See *Appendix P*).



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727.A.1. & 2.

Please correct the responses to the requirements of these sections to reflect the annual submittal of certificate of insurance for liability coverage and financial test/corporate guarantee for closure/post-closure care.

Response:

The responses to the requirements set forth in LAC 33:VII.727.A.1 and LAC 33:VII.727.A.2 are contained in the Financial Assurance Section (*Section 727, Appendix D*). These responses now reflect that the certificate of insurance for liability coverage and financial test/corporate guarantee for closure/post-closure care will be submitted annually.



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Geological Comments

General

Please be advised that groundwater contamination beneath the neighboring Solid Waste Ponds and possibly, the Rainwater & Wastewater Treatment System (RTS) has been documented. A review of other data and correspondence related to the Solid Waste Ponds, including the RTS, indicates that following:

- OxyChem has speculated that the background concentration of chloride is on the order of 3,000 mg/L.
- It appears that the chloride plume underlying the Ponds merges with the chloride plume associated with the solvent plume that underlies the Central Plant Area. Chloride concentrations on the edges of these plumes diminish to less than 500 mg/L.

The Department has questioned the facility's establishment of a background concentration for chloride documented in previous correspondence. Until a background chloride concentration has been determined that is acceptable to both the facility and the Department, it is unknown whether the facility can continue with its detection monitoring program for the RTS, including the revised statistical analysis requirements (see comment to Section 5.0 of Appendix C below), or must begin assessment monitoring in accordance with LAC 33:VII.709.E.

Response:

OxyChem will install two new background wells east of the No. 1 Rainwater Pond (P-1) in an area of the plant that has not previously been used for production processes. The locations of the two wells (MW-443C and MW-444C) are shown on the attached *Figure 1*. These wells are immediately downgradient of MW-11C, which has the lowest chloride concentration of any C-zone well (with the exception of MW-104C located immediately adjacent to the Mississippi River). These wells are clearly outside the zone of chloride-impacted ground water, which is required of the background wells for the RWTS Ponds.

A revised Ground Water Monitoring Plan is included in this NOD Response Document as *Appendix I*.



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521.D.1.a.

The borings used to characterize the subsurface soils and groundwater conditions at the Rainwater and Wastewater Treatment System do not meet the standards specified in LAC 33:VII.709.C.1.c.; namely that:

- Geotechnical borehole spacing shall be no greater than 450 feet,
- All boreholes shall extend to a depth of at least 30 feet below the lowest point of the excavation, and
- At least 10 percent of the borings (minimum of three borings) shall extend to 100 feet below grade level.

Please be advised that the facility may request an exemption to this portion of the regulations in accordance with LAC 33:VII.307. However, a minimum number of additional borings will be required.

Upon installing any new borings and monitoring wells, the cross sections and isometric profile shall be updated to include any new information.

Response:

OxyChem will drill and stratigraphically log six borings and four monitoring wells around the No.1 (P-1) and No. 2 (P-2) Rain Water Ponds. The locations of the proposed borings and wells are shown on the attached **Figure 1**. These borings and wells will be used to characterize the shallow geology under the two ponds. The average spacing between borings/wells is 420 feet for P-1 and 350 feet for P-2. This should be more than adequate to define the shallow subsurface for this permit application renewal. As agreed with Mr. Drukell Trahan in our meeting on April 12, 2007, no geotechnical data is required for this application since the ponds have been in operation for more than 40 years without any geotechnical or operation problems.

The stratigraphic data generated from these borings will be used to generate additional cross sections and/or fence diagrams to depict the shallow geology at the site. This information will be included in a report to the LDEQ, and will be submitted within 90 days after the borings/wells are drilled and installed.

521.F.5.b.

The required information on the table of well information is still incomplete. Missing information includes ground surface elevation, slot size, and type of grout. Additional



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Taft Facility/Rainwater & Wastewater Treatment System
Solid Waste Permit Application – Second NOD Response**

information should include gradient position and zone monitored. The regulations require this information in tabular format for completeness, ease of use, and results confirmation; e.g., if ground surface elevation is provided, screen elevation can be calculated from depth (when given in feet below grade).

Response:

All of the monitoring wells included in the Ground Water Monitoring Plan will be installed after the permit is issued. After the wells are installed, a well completion table with the requested information will be submitted to the LDEQ within 30 days.

Appendix C

Groundwater Sampling and Analysis Plan

Section 5.0

It is the Department's understanding that the first four quarters of data from all the monitoring wells (upgradient and downgradient) were pooled to establish the baseline mean for each parameter used to evaluate the groundwater detection monitoring data. A review of historical groundwater monitoring reports indicates that results from a singular event for each parameter and an average of the four most recent monitoring events at each well are compared to the baseline mean. Also, the facility mean (average for each parameter from all the monitoring wells) is compared to the baseline mean.

It is okay for the facility to perform these statistical evaluations. However, in addition, a baseline mean should be calculated from the upgradient (background) well only and singular event data should be compared to this baseline mean; see "Statistical Analysis of Groundwater Monitoring Data at RCRA Facilities, Interim Final Guidance," USEPA, February 1989, and "Statistical Analysis of Groundwater Monitoring Data at RCRA Facilities, Addendum to Interim Final Guidance," USEPA, July 1992.

Also, based on a review of the groundwater monitoring reports, the mean for each well used to establish the baseline mean has been modified several times for some of the wells; and the data is not always reproducible.

In order for the facility to further evaluate the baseline mean and detection monitoring data, to facilitate Departmental review, and to ensure that the results are reproducible, please tabulate all the historical data from the detection monitoring network going back to the collection of baseline data. According to a review of groundwater monitoring reports,



**Occidental Chemical Corporation, L.L.C.
Taft Facility/Rainwater & Wastewater Treatment System
Solid Waste Permit Application – Second NOD Response**

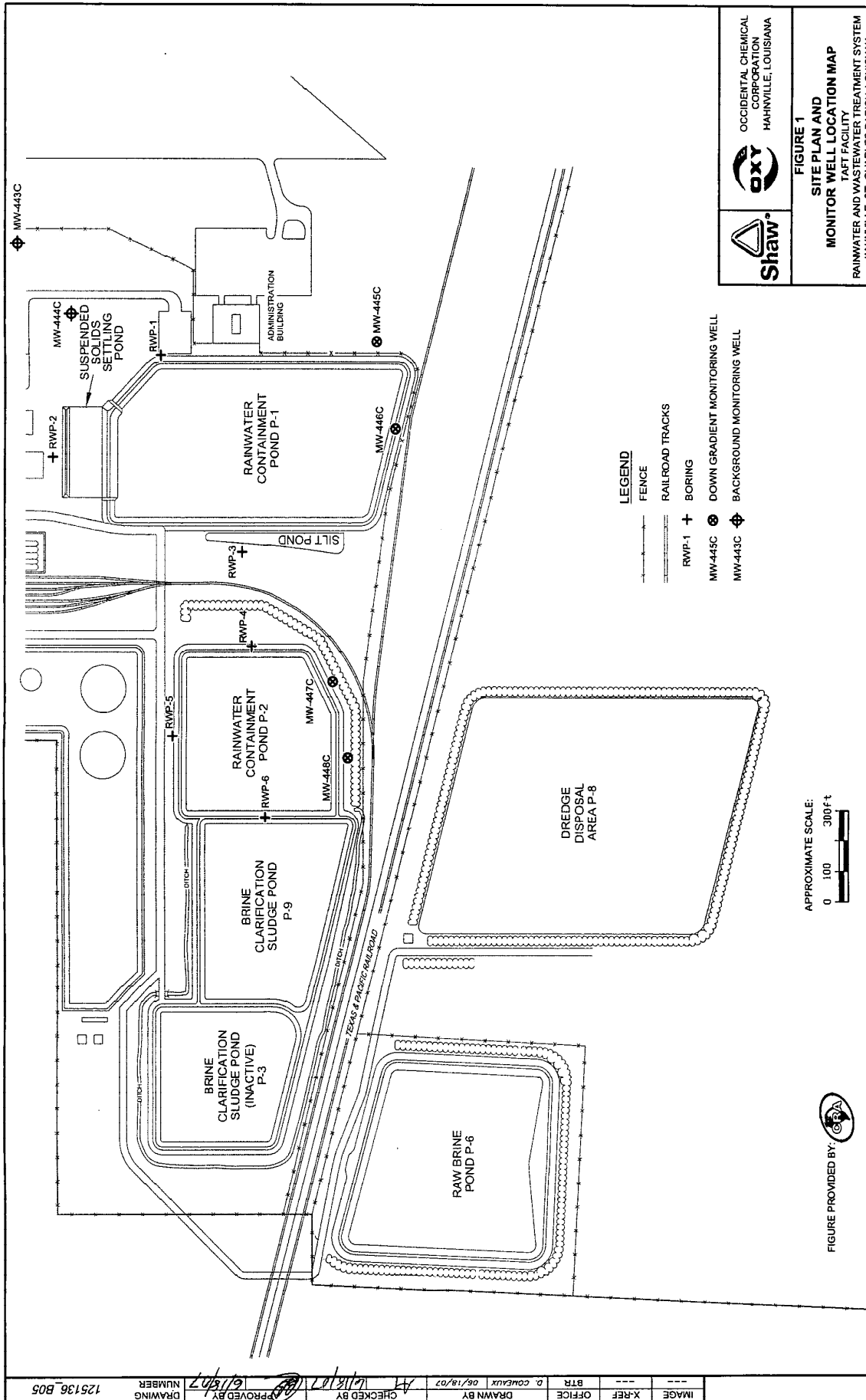
baseline data was initially collected in October, 1985. Include in the tables the baseline means that were established for all the wells, the baseline means that will be established for the upgradient (background) wells only, and the facility means. Reconstruct the historical statistical evaluations and control charts based on the new and revised information.


Response:

OxyChem is proposing a new ground water monitoring system including background wells that are located in an area of the plant that has not been used for plant operations and is immediately down gradient from an area with the lowest chloride concentrations in the plant (other than immediately adjacent the Mississippi River). As a result, new background concentrations must be collected and background statistics computed. The historical data cannot be used in the statistical analyses.

A revised Ground Water Monitoring Plan is included in this NOD Response Document as *Appendix I*.

Figure





OCCIDENTAL CHEMICAL CORPORATION
HAHNVILLE, LOUISIANA

FIGURE 1

SITE PLAN AND

MONITOR WELL LOCATION MAP

TAFT FACILITY
RAINWATER AND WASTEWATER TREATMENT SYSTEM
HAHNVILLE, ST. CHARLES PARISH, LOUISIANA

IMAGE	X-REF	OFFICE	BTR	D. COMEAU	06/18/07	CHECKED BY	APPROVED BY	DRAWING NUMBER	125136_B05
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APPENDIX A
LDEQ NOD LETTER



DEPARTMENT OF ENVIRONMENTAL QUALITY

KATHLEEN BABINEAUX BLANCO
GOVERNOR

MIKE D. McDANIEL, Ph.D.
SECRETARY

FEB 06 2007

CERTIFIED MAIL 7003 2260 0005 9326 9457
RETURN RECEIPT REQUESTED

Mr. Bryan McDowell
Occidental Chemical Corporation
266 Highway 3142
Hahnville, Louisiana 70057

RE: 2nd Notice of Deficiency / Permit Renewal Application
OxyChem /Rainwater & Wastewater Treatment Systems
AI # 1137 / PER20010002
GD-089-1288 / P-0262
St. Charles Parish

Dear Mr. McDowell:

The Waste Permits Division is in receipt of your response to Notice of Deficiencies for the referenced permit renewal application. Based on the technical review of the response, the following comments are presented regarding items not considered in conformity with the applicable sections of the Louisiana Solid Waste Regulations LAC 33:VII.

Permit Writer Comments

General Please provide the following sections in the final form of the permit application:

- The revised Part LAC 33:VII.519 (Part I)
- The revised Part LAC 33:VII.520
- The response to financial assurance under 521.L and under Chapter 727 with all appendices related to financial assurance.

521.A.1.e.iii. Revise the response to this section due to the change in the responses to wetlands in 521.A.1.e.i. & ii. Original response states that there are no wetlands within 1000 feet of the facility perimeter; and the revised response states that there are wetlands within 1000 feet.

521.F.1. Provide the required document to meets the standard of 713.B.1.

521.J.1.b Provide the date of the estimates for Closure Cost Table and Post-closure Cost Table in Appendix G of the response to NODs.

ENVIRONMENTAL SERVICES
: PO BOX 4313, BATON ROUGE, LA 70821-4313
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OxyChem, 2nd NOD, P-0262
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- 521.L.2. Provide the entire OXY Annual Report, include form 10-K.
- 521.L.3. Respond to this requirement and all applicable standards in 727.A.1. The response to this section should indicate that the financial assurance mechanism for the facility during operation is the Solid Waste Facility Certificate of Liability Insurance that has been submitted.
- It is noted that the updated Certificate of Insurance package in Appendix I of the response to NODs includes three certificates for three different sites. Please be advised that for the purpose of this permit application provide the certificate applicable to this facility only.
- 521.L.4. Respond to this requirement and all applicable standards in 727.A.2. The response to this section should indicate that the financial assurance mechanism for closure and post-closure care for the facility is financial test and corporate guarantee that have been submitted.
- 727.A.1 & 2 Please correct the responses to the requirements of these sections to reflect the annual submittal of certificate of insurance for liability coverage and financial test/ corporate guarantee for closure/post-closure care.

Geological Comments:

General Please be advised that groundwater contamination beneath the neighboring Solid Waste Ponds and, possibly, the Rainwater and Wastewater Treatment System (RTS) has been documented. A review of other data and correspondence related to the Solid Waste Ponds, including the RTS, indicates the following:

- Oxychem has speculated that the background concentration of chloride is on the order of 3,000 mg/L.
- It appears that the chloride plume underlying the Ponds merges with the chloride plume associated with the solvent plume that underlies the Central Plant Area. Chloride concentrations on the edges of these plumes diminish to less than 500 mg/L.

The Department has questioned the facility's establishment of a background concentration for chloride documented in previous correspondence. Until a background chloride concentration has been determined that is acceptable to both the facility and the Department, it is unknown whether the facility can continue with its detection monitoring program for the RTS, including the revised statistical analysis requirements (see comment to Section 5.0 of

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Appendix C below), or must begin assessment monitoring in accordance with LAC 33:VII.709.E.

521.D.1.a The borings used to characterize the subsurface soils and groundwater conditions at the Rainwater and Wastewater Treatment System do not meet the standards specified in LAC 33:VII.709.C.1.c; namely that:

- Geotechnical borehole spacing shall be no greater than 450 feet,
- All boreholes shall extend to a depth of at least 30 feet below the lowest point of the excavation, and
- At least 10 percent of the borings (minimum of three borings) shall extend to 100 feet below grade level.

Please be advised that the facility may request an exemption to this portion of the regulations in accordance with LAC 33:VII.307. However, a minimum number of additional borings will be required.

Upon installing any new borings and monitoring wells, the cross sections and isometric profile shall be updated to include any new information.

521.F.5.b The required information on the table of well information is still incomplete. Missing information includes ground surface elevation, slot size, and type of grout. Additional information should include gradient position and zone monitored. The regulations require this information in tabular format for completeness, ease of use, and results confirmation; e.g., if ground surface elevation is provided, screen elevation can be calculated from depth (when given in feet below grade).

Appendix C Groundwater Sampling and Analysis Plan

Section 5.0 It is the Department's understanding that the first four quarters of data from all the monitoring wells (upgradient and downgradient) were pooled to establish the baseline mean for each parameter used to evaluate the groundwater detection monitoring data. A review of historical groundwater monitoring reports indicates that results from a singular event for each parameter and an average of the four most recent monitoring events at each well are compared to the baseline mean. Also, the facility mean (average for each parameter from all the monitoring wells) is compared to the baseline mean.

It is okay for the facility to perform these statistical evaluations. However, in addition, a baseline mean should be calculated from the upgradient

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OxyChem, 2nd NOD, P-0262
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(background) wells only and singular event data should be compared to this baseline mean; see "Statistical Analysis of Groundwater Monitoring Data at RCRA Facilities, Interim Final Guidance," USEPA, February 1989, and "Statistical Analysis of Groundwater Monitoring Data at RCRA Facilities, Addendum to Interim Final Guidance," USEPA, July 1992.

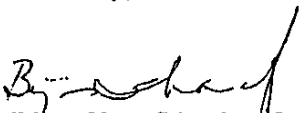
Also, based on a review of the groundwater monitoring reports, the mean for each well used to establish the baseline mean has been modified several times for some of the wells; and the data is not always reproducible.

In order for the facility to further evaluate the baseline mean and detection monitoring data, to facilitate Departmental review, and to ensure that the results are reproducible, please tabulate all the historical data from the detection monitoring network going back to the collection of baseline data. According to a review of groundwater monitoring reports, baseline data was initially collected in October, 1985. Include in the tables the baseline means that were established for all the wells, the baseline means that will be established for the upgradient (background) wells only, and the facility means. Reconstruct the historical statistical evaluations and control charts based on the new and revised information.

Your response to these items shall be submitted within thirty (30) days of receipt of this letter. Please refer to the sections and denoted regulations when responding to the comments. In addition, four (4) copies of your responses, including appendices, shall be provided. Please reference your Agency Interest # 1137, your Permit # P-0262, and your permit activity # PER20010002 on all correspondence pertaining to this permit application.

If you have any questions concerning this matter, please contact Mr. Hoa Van Nguyen (Permit Writer Review) at 225-219-3047 or Mr. Drukell B. Trahan (Geological Review) at 225- 219-3417.

Sincerely,



Bijan Sharafkhani, P.E.
Administrator
Waste Permits Division

hvn

c: Boyd Boswell, Shaw Environmental, Inc.

APPENDIX B
REVISED PART LAC 33:VII.519 (PART 1)



**Occidental Chemical Corporation Taft Facility
Solid Waste Permit Application – Type I Surface Impoundment – Rainwater
& Wastewater Treatment System**

2.0 LAC 33:VII.519. Part I: Permit Application Form

The applicant shall complete a standard permit application Part I Form (LAC 33:VII.3003). The following subsections refer to the items on the form requiring that information:

- A. name of applicant (prospective permit holder) applying for a standard permit;
 - B. facility name;
 - C. description of the location of the facility (identify by street and number or by intersection of roads, or by mileage and direction from an intersection);
 - D. geographic location (section, township, range, and parish where the facility is located, and the coordinates [as defined by the longitude and latitude to the second] of the centerpoint of the facility);
 - E. mailing address of the applicant;
 - F. contact person for the applicant (position or title of the contact person is acceptable);
 - G. telephone number of the contact person;
 - H. type and purpose of operation (check each applicable box);
 - I. status of the facility (if leased, state the number of years of the lease and provide a copy of the lease agreement);
 - J. operational status of the facility;
 - K. total site acreage and the amount of acreage that will be used for processing and/or disposal;
 - L. list of all environmental permits that relate directly to the facility represented in this application;
 - M. a letter attached from the Louisiana Resource Recovery and Development Authority (LRRDA) stating that the operation conforms with the applicable statewide plan;

(Note: In accordance with R.S. 30:2307.B, this regulation does not apply to solid waste disposal activity occurring entirely within the boundaries of a plant, industry, or business which generates such solid waste);
 - N. zoning of the facility (if the facility is zoned, note the zone classification and zoning authority, and include a zoning affidavit or other documentation stating that the proposed use does not violate existing land-use requirements);
 - O. types, maximum quantities (wet tons/week), and sources (percentage of the on-site or off-site-generated waste to be received) of waste to be processed or disposed of by the facility;
 - P. indicate the specific geographic area(s) to be serviced by the solid waste facility;
-



**Occidental Chemical Corporation Taft Facility
Solid Waste Permit Application – Type I Surface Impoundment – Rainwater
& Wastewater Treatment System**

- Q. attach proof of publication of the notice regarding the submittal of the permit application as required in LAC 33:VII.513.A;**
- R. provide the signature, typed name, and title of the individual authorized to sign the application. Proof of the legal authority of the signatory to sign for the applicant must be provided; and**
- S. any additional information required by the administrative authority.**

The information required under LAC 33:VII.519 is provided in the Solid Waste Standard Permit Application – Part I form, as contained in Appendix B of LAC 33:VII.3003. A copy of the form is included in Section 2.0 of this permit application. As required under LAC 33:VII.3003.Appendix B, the form was completed in accordance with the instructions in LAC 33:VII.513.A.1.

SOLID WASTE STANDARD PERMIT APPLICATION – PART 1

(The form shall be completed in accordance with the instructions found in LAC 33:VII.513.A.1.)

- A. Applicant (Permit-Holder): **Occidental Chemical Corporation**
- B. Facility Name: **Industrial Solid Waste Surface Impoundment (Rainwater Pond and Wastewater Treatment System)**
- C. Facility Location/Description: **Taft, St. Charles Parish, Louisiana;**
Intersection of Louisiana Highway 18 and of Louisiana Highway 3142
- D. Location:
- | | | | | | |
|----------------------------------|------------------|----------|-------------------|-------|-------------------|
| Section | <u>23</u> | Township | <u>12S</u> | Range | <u>20E</u> |
| Parish <u>St. Charles</u> | | | | | |
- Coordinates:
- | | | | | | | |
|-----------|---------|------------------|---------|------------------|---------|------------------|
| Latitude | Degrees | <u>29</u> | Minutes | <u>59</u> | Seconds | <u>14</u> |
| Longitude | Degrees | <u>90</u> | Minutes | <u>27</u> | Seconds | <u>17</u> |
- E. Mailing Address: **266 Highway 3142, Hahnville, Louisiana 70057-2608**
- F. Contact: **Mr. Victor F. Pisani**
- G. Telephone: **(985) 783-7212**

H. Type and Purpose of Operation: (check each applicable line)

Type I

- Industrial Landfill ☐
- Industrial Surface Impoundment ☒
- Industrial Landfarm ☐

Type I-A

- Industrial Incinerator Waste Handling Facility ☐
- Industrial Shredder/Compactor/Baler ☐
- Industrial Transfer Station ☐

Type II

- Sanitary Landfill ☐
- Residential/Commercial Surface Impoundment ☐
- Residential/Commercial Landfarm ☐

Type II-A

- Residential/Commercial Incinerator Waste Handling Facility ☐

Residential/Commercial Shredder/Compactor/Baler ☐Residential/Commercial Transfer Station ☐Residential/Commercial Refuse-Derived Fuel ☐

Type III

Construction/Demolition-Debris Landfill ☐Woodwaste Landfill ☐Compost Facility ☐Resource Recovery/Recycling Facility ☐

Other

Describe

I. Site Status:

Owned ☒ Leased ☐ Lease Term ____ Years

(Note: If leased, provide copy of lease agreement.)

J. Operation Status:

Existing ☒ Proposed ☐K. Total Acreage ~15 Processing Acreage 0 Disposal Acreage 13.1L. Environmental Permits: (List) See Attached.

M. Conformity with regional plans. Attach letter from the Louisiana Resource Recovery and Development Authority (LRRDA) stating that the facility is an acceptable part of the state-wide program.

OxyChem's disposal activity occurs entirely within the boundaries of the plant. Therefore, the above citation is not applicable.

(Note: In accordance within La. R.S. 30:2307.(b), LRRDA authority does not apply to solid waste disposal activity occurring entirely within the boundaries of a plant, industry, or business which generates such solid waste.)

N. Zoned:

Yes ☒ No ☐ Zoning Requested ☐Zone Classification: Industrial. Please see attached.

(Note: If zoned, include zoning affidavit and/or other documentation stating that the proposed use does not violate existing land-use requirements.)

O. Types, Quantities, and Sources of Waste:

	Processing		Disposal	
	Onsite	Offsite	Onsite	Offsite
Residential				
Industrial			Approx. 1 ton/week	
Commercial				
Other				

P. Service Area: **OxyChem does not receive waste from off-site.**

List of Parishes: _____

Statewide ☐ Unlimited ☐

Q. Proof of Operator's Public Notice - Attach proof of publication of the notice regarding the permit application submittal as required by LAC 33:VII.513.A.
See Appendix A for Proof of Publication.

R. Certification: I have personally examined and am familiar with the information submitted in the attached documentation, and I hereby certify under penalty of law that this information is true, accurate, and complete to the best of my knowledge. I am aware that there are significant penalties for submitting false information, including the possibility of fine and/or imprisonment.

Signature: Victor F. Pisani

Date: 01/24/06

Typed Name and Title: Mr. Victor F. Pisani, Plant Manager

[NOTE: Attach proof of legal authority of the signee to sign for the applicant.]

Please see Appendix B

**Occidental Chemical Corporation
Taft Facility**

List of Current Permits

- Air:
 - Chlor-Alkali Title V Permit No. 2520-00007-V2
 - Co-Gen Title V Permit No. 2598-V1
 - Co-Gen PSD Permit No. PSD-LA-633(M-1)
 - Co-Gen Acid Rain Permit No. 2598-IV0
- Wastewater Discharge:
 - LPDES Permit No. LA0005983
- Solid Waste (Solid Waste Site ID (Generator Identification) GD-089-1288):
 - Brine Sludge Ponds - Standard Permit No. P-0011
 - Rainwater and Wastewater Treatment System - Standard Permit No. P-0262
 - Dredge Disposal Area - Standard Permit No. P-0263
 - Raw Brine Pond - Standard Permit No. P-0264
- Hazardous Waste:
 - Hazardous Waste ID No. LAD003913316



PARISH OF ST. CHARLES

DEPARTMENT OF PLANNING & ZONING

P.O. Box 302 • Hahnville, Louisiana 70057
(504) 733-5060 • (504) 466-1990 • Fax (504) 733-5227

CHRIS A. TREGRE
PARISH PRESIDENT

JOSEPH P. LASSUS
DIRECTOR

December 20, 1993

Richard LaBranche
G & E Engineering
4915 South Sherwood Forest Blvd.
Baton Rouge, LA 70816

Dear Mr. LaBranche,

As per your conversation with Mr. Earl Matherne on Wednesday, December 15, 1993, Mr. Matherne researched the current zoning of the property on which Occidental Chemical is located in Hahnville, Louisiana. The zoning was found to be M-2 for the current facility, and therefore in compliance with local land use regulations.

If you need further information please contact Earl Matherne at 783-5060.

Sincerely,

Joseph P. Lassus
Director



ST. CHARLES PARISH

DEPARTMENT OF PLANNING & ZONING
P.O. BOX 202 • HAHNVILLE, LA 70057

April 30, 1982

JOHN M. FOULLOUX
Mayor

HAROLD L. HOLMES
Director

Mr. Ralph Marchand
Hooker Chemicals & Plastics Corp.
P. O. Box 74
Hahnville, LA 70057

Dear Mr. Marchand:

Attached is a true copy of the Parish Zoning Map indicating that the Hooker Chemicals and Plastics Corp., Taft, facilities are zoned industrial.

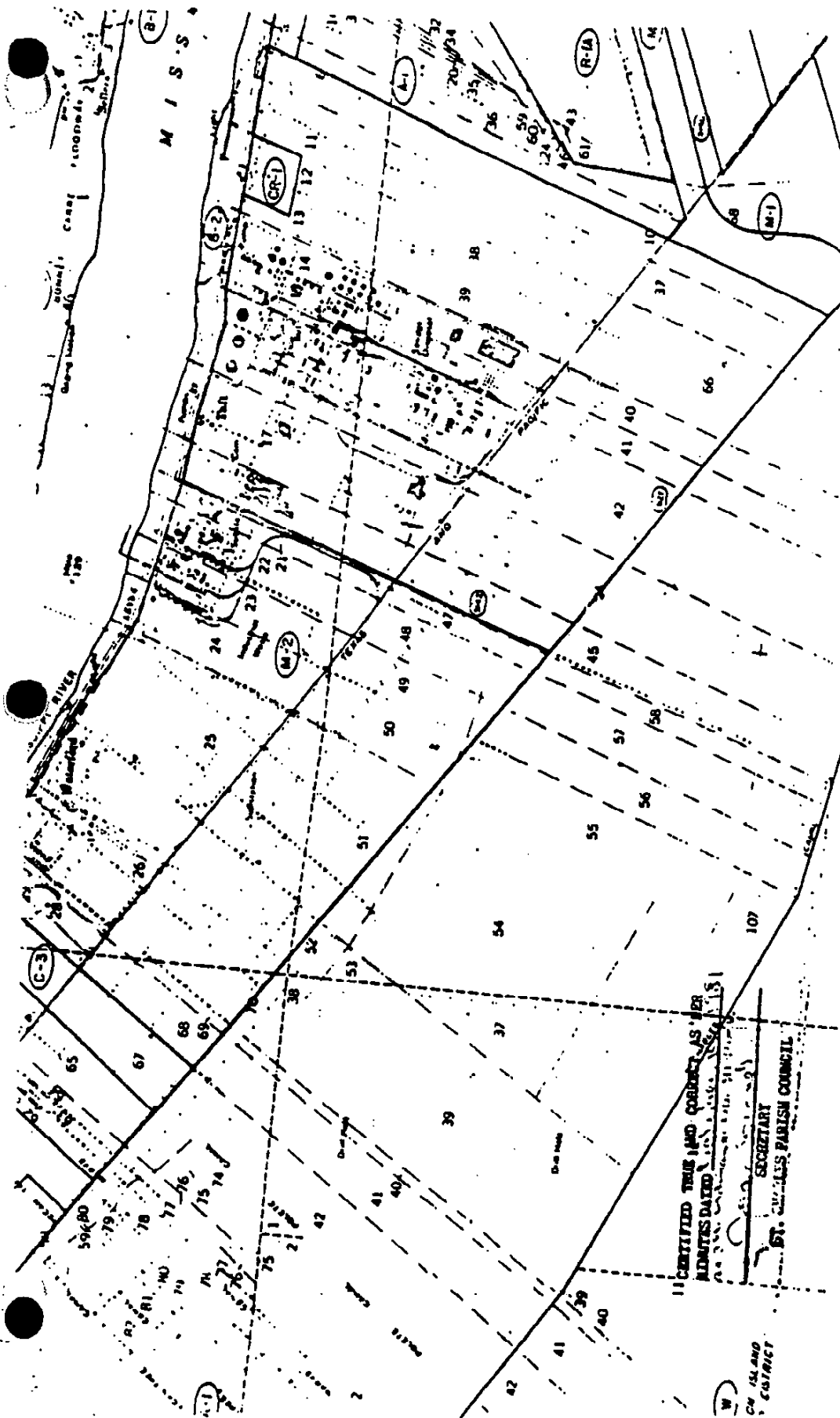
Sincerely,

Harold L. Holmes
Director, Planning & Zoning

HLH/mhg

Attachment

BEST COPY



11 CERTIFIED TRUE AND CORRECT AS PER
ALPHAS DATED 11/11/1951
SECRETARY
ST. CHARLES PARISH COUNCIL

CH. ISLAND
DISTRICT

APPENDIX C
REVISED PART LAC 33:VII.520



**Occidental Chemical Corporation, L.L.C.
Taft Facility – Rainwater and Wastewater Treatment System
Solid Waste Permit Application**


3.0 LAC 33:VII.520. Compliance Information

- A. All applicants for solid waste permits shall comply with the requirements of LAC 33:I.1701.**

The Addendum to Permit Applications (LAC 33:I.1701) is located at the end of this section.

Media Type (check one)

Hazardous Waste ☐Air ☐Solid Waste ☒Water ☐Agency Interest Number: 1137

Department of Environmental Quality Permits Division P.O. Box 82135 Baton Rouge, LA 70884-2135 (225) 765-0219	Addendum to Permit Applications per LAC 33:I.1701	
Please Type Or Print	Company Name Occidental Chemical Corporation	For Permits Division Use Only
	Parent Company (if Company Name given above is a division)	
	Plant name (if any) Taft Facility	
	Nearest town Hahnville Parish where located St. Charles Parish	

Use attachments to provide the required information. "NA" is not an acceptable answer. If a particular section does not apply to you, explain why.

- Please provide a list of the states where you as applicant* have federal or state environmental permits identical to, or of a similar nature to, the permit for which you are applying.
 *This requirement applies to all individuals, partnerships, corporations, or other entities who own a controlling interest of 50% or more in your company, or who participate in the environmental management of the facility for an entity applying for the permit or an ownership interest in the permit.
Louisiana, Alabama, Texas, Kansas, Delaware, and New York.
- Do you owe any outstanding fees or final penalties to the Department? No ☒ Yes ☐ If yes, please explain.
- Is your company a corporation or limited liability company? No ☐ Yes ☒ If yes, attach a copy of your company's Certificate of Registration and/or Certificate of Good Standing from the Secretary of State.

Certification:

I certify, under provisions in Louisiana and United States law which provide criminal penalties for false statements that based on information and belief formed after reasonable inquiry, the statements and information contained in this Addendum to the Permit Application, including all attachments thereto are true, accurate, and complete.

Responsible Official

Name Victor F. Pisani
Title Plant Manager
Company Occidental Chemical Corporation
Suite, mail drop, or division
Street or P.O. Box 266 Highway 3142

City Hahnville	State LA	Zip 70057
Business phone 985.783.7212		
Signature of responsible official(s) <i>Victor F. Pisani</i>		
Date 01/24/06		

The Department may require the submission of additional information if it deems such information necessary.

UNITED STATES OF AMERICA

State of Louisiana

Box McKeithen

SECRETARY OF STATE

As Secretary of State, of the State of Louisiana, I do hereby Certify that
OCCIDENTAL CHEMICAL CORPORATION

A NEW YORK corporation domiciled at NIAGARA FALLS,

Filed charter and qualified to do business in this State on
 August 13, 1964,

I further certify that the records of this Office indicate
 the corporation has paid all fees due the Secretary of
 State, and so far as the Office of the Secretary of State is
 concerned is in good standing and is authorized to do
 business in this State.

I further certify that this Certificate is not intended to
 reflect the financial condition of this corporation since
 this information is not available from the records of this
 Office.

*In testimony whereof, I have hereunto set
 my hand and caused the Seal of my Office
 to be affixed at the City of Baton Rouge on.*

May 13, 2003

Box McKeithen
 ABA 26707410F

Secretary of State



APPENDIX D
SECTION 727-FINANCIAL ASSURANCE



LAC 33:VII.727 Financial Assurance

A. Financial Responsibility during Operation and for Closure and Post-Closure Care

1. Financial Responsibility during Operation. Permit holders or applicants for standard permits of Type I, I-A, II, II-A, and III facilities have the following financial responsibilities while the facility is in operation.

- a. Permit holders or applicants for Type I and II facilities shall maintain liability insurance, or its equivalent, for sudden and accidental occurrences in the amount of \$1 million per occurrence and \$1 million annual aggregate, per site, exclusive of legal-defense costs, for claims arising from injury to persons or property, owing to the operation of the site. Evidence of this coverage shall be updated annually and provided to the Office of Environmental Services, Water and Waste Permits Division.**

The financial assurance mechanism for the facility during operation is the Solid Waste Facility Certificate of Liability Insurance that has been submitted. This Solid Waste Facility Certificate of Liability Insurance is also contained in *Appendix M*. Evidence of OxyChem's liability coverage will be updated annually and provided to the Office of Environmental Services, Waste Permits Division, prior to the expiration date of the insurance policy.

- b. Permit holders or applicants for Type I-A and II-A facilities shall maintain liability insurance, or its equivalent, for sudden and accidental occurrences in the amount of \$500,000 per occurrence, and \$500,000 annual aggregate, per site, exclusive of legal-defense costs, for claims arising from injury to persons or property, owing to the operation of the site. Evidence of this coverage shall be updated annually and provided to the Office of Environmental Services, Water and Waste Permits Division.**

This regulation is inapplicable to this OxyChem facility, as the regulation pertains specifically to Type I-A and II-A facilities, and this is a permit renewal application for a Type I facility.

- c. Permit holders or applicants for Type III facilities shall maintain liability insurance, or its equivalent, for sudden and accidental occurrences in the amount of \$250,000 per occurrence, and \$250,000 annual aggregate, per site, exclusive of legal-defense costs, for claims arising from injury to persons or property, owing to the operation of the site. Evidence of this coverage shall be updated annually and provided to the Office of Environmental Services, Water and Waste Permits Division.**

This regulation is inapplicable to this OxyChem facility, as the regulation pertains specifically to Type III facilities, and this is a permit renewal application for a Type I facility.



- d. The financial responsibility may be established by any one or a combination of the following.**

 - i. Evidence of liability insurance may consist of either a signed duplicate original of a solid waste liability endorsement, or a certificate of insurance. All liability endorsements and certificates of insurance must include:**

 - (a). a statement of coverage relative to environmental risks;**
 - (b). a statement of all exclusions to the policy; and**
 - (c). a certification by the insurer that the insurance afforded with respect to such sudden accidental occurrences is subject to all of the terms and conditions of the policy, provided, however, that any provisions of the policy inconsistent with the following Clauses (i) through (vi) are amended to conform with said clauses:**

 - (i). bankruptcy or insolvency of the insured shall not relieve the insurer of its obligations under the policy;**
 - (ii). the insurer is liable for the payment of amounts within any deductible applicable to the policy, with a right of reimbursement by the insured for any such payment made by the insurer. This provision does not apply with respect to that amount of any deductible for which coverage is demonstrated as specified in Clause A.1.d.ii, iii, or iv of this Section;**
 - (iii). whenever requested by the administrative authority, the insurer agrees to furnish to the administrative authority a signed duplicate original of the policy and all endorsements;**
 - (iv). cancellation of the policy, whether by the insurer or the insured, will be effective only upon written notice and upon lapse of 60 days after a copy of such written notice is received by the Office of Environmental Services, Water and Waste Permits Division;**
 - (v). any other termination of the policy will be effective only upon written notice and upon lapse of 30 days after a copy of such written notice is received by the Office of Environmental Services, Water and Waste Permits Division;**
 - (vi). the insurer is admitted, authorized, or eligible to conduct insurance business in Louisiana.**



**Occidental Chemical Corporation, L.L.C.
Taft Facility/Rainwater & Wastewater Treatment System
Solid Waste Permit Application – Second NOD Response**

The submitted Solid Waste Facility Certificate of Liability Insurance meets all of the above requirements for liability insurance. *Appendix M* contains a copy of the Solid Waste Facility Certificate of Liability Insurance.

- (d). **The wording of the liability endorsement shall be identical to the wording that follows, except that the instructions in brackets are to be replaced with the relevant information and the brackets deleted.**

This is not applicable. The Solid Waste Certificate of Liability Insurance is provided as evidence of liability insurance.

- (e). **The wording of the certificate of insurance shall be identical to the wording that follows, except that the instructions in brackets are to be replaced with the relevant information and the brackets deleted.**

The wording of the Solid Waste Facility Certificate of Liability Insurance provided in *Appendix M* meets the requirements of this section.

- ii. **Letter of Credit. A permit holder or applicant may satisfy the requirements of this Section by obtaining an irrevocable standby letter of credit that conforms to the following requirements, and by submitting the letter to the administrative authority.**

This is not applicable. The Solid Waste Facility Certificate of Liability Insurance is provided as evidence of liability insurance.

- iii. **Financial Test**

This is not applicable. The Solid Waste Facility Certificate of Liability Insurance is provided as evidence of liability insurance.

- iv. **Corporate Guarantee**

This is not applicable. The Solid Waste Facility Certificate of Liability Insurance is provided as evidence of liability insurance.

- e. **The use of a particular financial responsibility mechanism is subject to the approval of the administrative authority.**

OxyChem acknowledges that the use of a particular financial responsibility mechanism is subject to the approval of the administrative authority. The Solid Waste Facility Certificate of Liability Insurance is provided as evidence of liability insurance.

- f. **Permit holders of existing facilities must submit, on or before February 20, 1995, financial responsibility documentation that complies with the requirements of Paragraph A.1 of this Section. Applicants for permits for new**



**Occidental Chemical Corporation, L.L.C.
Taft Facility/Rainwater & Wastewater Treatment System
Solid Waste Permit Application – Second NOD Response**

facilities must submit evidence of financial assurance in accordance with this Section at least 60 days before the date on which solid waste is first received for processing or disposal.

OxyChem has complied with this requirement by providing, on or before February 20, 1995, financial responsibility documentation that complies with the requirements of LAC 33:VII.727.A.1.

2. Financial Responsibility for Closure and Post-Closure Care. Permit holders or applicants of Type I, I-A, II, II-A, and III facilities have the following financial responsibilities for closure and post-closure care.

a. Permit holders or applicants for processing or disposal facilities shall establish and maintain financial assurance for closure and post-closure care.

OxyChem maintains financial assurance for closure and post-closure care by virtue of the financial test and corporate guarantee. These documents were previously submitted to LDEQ and are also contained herein, in *Appendix M*. Evidence of OxyChem's financial assurance mechanism for closure and post-closure care will be updated annually and provided to the Office of Environmental Services, Waste Permits Division.

b. The applicant or permit holder shall submit to the Office of Environmental Services, Water and Waste Permits Division, the estimated closure date and the estimated cost of closure and post-closure care in accordance with the following procedures.

The estimated date of final closure of the facility is 2039. The estimated costs of closure and post-closure are \$4,493,837.00 and \$304,383.00, respectively.

i. The applicant or permit holder must have a written estimate, in current dollars, of the cost of closing the facility in accordance with the requirements in these rules. The estimate must equal the cost of closure at the point in the facility's operating life when the extent and manner of its operation would make closure the most expensive, as indicated by the closure plan, and shall be based on the cost of hiring a third party to close the facility in accordance with the closure plan.

The estimated cost to close of the facility, based on the cost of hiring a third party to conduct the closure, at the point in the facility's operating life when the extent and manner of its operation would make closure the most expensive, is: \$4,493,837.00. The facility's closure plan, contained in *Appendix K* includes a written estimate for conducting all required closure activities. This estimate was calculated on March 31, 2006.

ii. The applicant or permit holder of a facility subject to post-closure monitoring or maintenance requirements must have a written estimate, in current dollars, of the annual cost of post-closure monitoring and



**Occidental Chemical Corporation, L.L.C.
Taft Facility/Rainwater & Wastewater Treatment System
Solid Waste Permit Application – Second NOD Response**

maintenance of the facility in accordance with the provisions of these rules. The estimate of post-closure costs is calculated by multiplying the annual post-closure cost estimate by the number of years of post-closure care required and shall be based on the cost of hiring a third party to conduct post-closure activities in accordance with the closure plan.

As is indicated in Table 1 of the facility's post-closure plan, contained in *Appendix K*, the annual cost of conducting post-closure monitoring and maintenance is: \$10,146.09. The estimated post-closure cost for the required period of thirty years is: \$304,383.00. This cost estimate was calculated on March 31, 2006.

- iii. The cost estimates must be adjusted within 30 days after each anniversary of the date on which the first cost estimate was prepared on the basis of either the inflation factor derived from the Annual Implicit Price Deflator for Gross Domestic Product, as published by the U.S. Department of Commerce in its *Survey of Current Business* or a reestimation of the closure and post-closure costs in accordance with Clauses A.2.b.i and ii of this Section. The permit holder or applicant must revise the cost estimate whenever a change in the closure/post-closure plans increases or decreases the cost of the closure plan. The permit holder or applicant must submit a written notice of any such adjustment to the Office of Environmental Services, Water and Waste Permits Division, within 15 days following such adjustment.**

OxyChem will adjust the cost estimates for closure and post-closure activities within 30 days after each anniversary of the date on which the first cost estimate was prepared on the basis of either the inflation factor derived from the Annual Implicit Price Deflator for Gross Domestic Product, as published by the U.S. Department of Commerce in its *Survey of Current Business* or a re-estimation of the closure and post-closure costs in accordance with Clauses A.2.b.i and ii of this Section of the regulations. OxyChem will also revise the cost estimates for closure and post-closure activities whenever a change in the closure or post-closure plan increases or decreases said costs. OxyChem will also submit a written notice of any such adjustment to the Office of Environmental Services, Waste Permits Division, within (15) days of the adjustment.

- iv. For trust funds, the first payment must be at least equal to the current closure and post-closure cost estimate, divided by the number of years in the pay-in period. Subsequent payments must be made no later than 30 days after each annual anniversary of the date of the first payment. The amount of each subsequent payment must be determined by subtracting the current value of the trust fund from the current closure and post-closure cost estimates and dividing the result by the number of years remaining in the pay-in period. The initial pay-in period is based on the estimated life of the facility.**



**Occidental Chemical Corporation, L.L.C.
Taft Facility/Rainwater & Wastewater Treatment System
Solid Waste Permit Application – Second NOD Response**

This regulation is inapplicable to the OxyChem facility, as OxyChem elected to use the financial test and corporate guarantee, and not the trust fund, to demonstrate financial responsibility.

- c. Financial Assurance Mechanisms. The financial assurance mechanism must be one or a combination of the following: a trust fund, a financial guarantee bond ensuring closure funding, a performance bond, a letter of credit, an insurance policy, or the financial test. The financial assurance mechanism is subject to the approval of the administrative authority and must fulfill the following criteria.**

OxyChem has elected to use the financial test and corporate guarantee to demonstrate financial responsibility for closure and post-closure care.

- i. Except when a financial test, trust fund, or certificate of insurance is used as the financial assurance mechanism, a standby trust fund naming the administrative authority as beneficiary must be established at the time of the creation of the financial assurance mechanism into which the proceeds of such mechanism could be transferred should such funds be necessary for either closure or post-closure of the facility, and a signed copy must be furnished to the administrative authority with the mechanism.**

OxyChem acknowledges this requirement. The financial assurance mechanism for closure and post-closure care of the facility is the financial test and corporate guarantee.

- ii. A permit holder or applicant may use a financial assurance mechanism specified in this Section for more than one facility, if all such facilities are located within Louisiana and are specifically identified in the mechanism.**

The letter from Occidental Petroleum Corporation's Vice President and Chief Financial Officer dated March 31, 2006 (regarding financial test, corporate guarantee, and closure/post-closure cost estimates) does contain a guarantee for closure and post-closure care for multiple OxyChem solid waste facilities.

- iii. The amount covered by the financial assurance mechanism(s) must equal the total of the current closure and post-closure estimates for each facility covered.**

The amount covered by the financial assurance mechanisms chosen (i.e., financial test and corporate guarantee) includes the estimates for the current closure and post-closure costs for the OxyChem Rainwater & Wastewater Treatment System and also includes costs relative to the other OxyChem facilities covered.



Occidental Chemical Corporation, L.L.C.
Taft Facility/Rainwater & Wastewater Treatment System
Solid Waste Permit Application ~ Second NOD Response

- iv. When all closure and post-closure requirements have been satisfactorily completed, the administrative authority shall execute an approval to terminate the financial assurance mechanism(s).

OxyChem acknowledges that when all closure requirements have been satisfactorily completed, LDEQ will execute an approval to terminate the financial assurance mechanisms.

- d. **Trust Funds.** A permit holder or applicant may satisfy the requirements of this Section by establishing a closure trust fund that conforms to the following requirements and submitting an originally signed duplicate of the trust agreement to the Office of Environmental Services, Water and Waste Permits Division.

- i. The trustee must be an entity that has the authority to act as a trustee and whose trust operations are regulated and examined by a federal or state agency.
- ii. Trusts must be accomplished in accordance with and subject to the laws of Louisiana. The beneficiary of the trust shall be the administrative authority.
- iii. Trust-fund earnings may be used to offset required payments into the fund, to pay the fund trustee, or to pay other expenses of the funds, or may be reclaimed by the permit holder or applicant upon approval of the administrative authority.
- iv. The trust agreement must be accompanied by an affidavit certifying the authority of the individual signing the trust on behalf of the permit holder or applicant.
- v. The permit holder or applicant may accelerate payments into the trust fund or deposit the full amount of the current closure cost estimate at the time the fund is established. The permit holder or applicant must, however, maintain the value of the fund at no less than the value that the fund would have if annual payments were made as specified in Clause A.2.b.iv of this Section.
- vi. If the permit holder or applicant establishes a trust fund after having used one or more of the alternate mechanisms specified in this Section, his first payment must be in at least the amount that the fund would contain if the trust fund were established initially and annual payments made according to the specifications of this Paragraph.
- vii. After the pay-in period is completed, whenever the current cost estimate changes, the permit holder must compare the new estimate with the trustee's most recent annual valuation of the trust fund. If the value of the fund is less than the amount of the new estimate, the permit holder or applicant, within 60 days after the change in the cost estimate, must either deposit an amount into the fund that will make its value at least equal to the amount of the closure/post-closure cost estimate or it must



**Occidental Chemical Corporation, L.L.C.
Taft Facility/Rainwater & Wastewater Treatment System
Solid Waste Permit Application – Second NOD Response**

estimate or obtain other financial assurance as specified in this Section to cover the difference.

- viii. After beginning final closure, a permit holder, or any other person authorized by the permit holder to perform closure and/or post-closure may request reimbursement for closure and/or post-closure expenditures by submitting itemized bills to the Office of Environmental Services, Water and Waste Permits Division. Within 60 days after receiving bills for such activities, the administrative authority will determine whether the closure and/or post-closure expenditures are in accordance with the closure plan or otherwise justified, and if so, he or she will instruct the trustee to make reimbursement in such amounts as the administrative authority specifies in writing. If the administrative authority has reason to believe that the cost of closure and/or post-closure will be significantly greater than the value of the trust fund, he may withhold reimbursement for such amounts as he deems prudent until he determines that the permit holder is no longer required to maintain financial assurance.
- ix. The wording of the trust agreement shall be identical to the wording that follows, except that the instructions in brackets are to be replaced with the relevant information and the brackets deleted. The trust agreement shall be accompanied by a formal certification of acknowledgement.
- x. The following is an example of the certification of acknowledgement which must accompany the trust agreement.

These regulations are inapplicable to OxyChem, as they pertain specifically to the trust fund mechanism, and OxyChem is demonstrating financial responsibility for closure and post-closure care via use of the financial test and corporate guarantee.

- e. **Surety Bonds.** A permit holder or applicant may satisfy the requirements of this Section by obtaining a surety bond that conforms to the following requirements and submitting the bond to the Office of Environmental Services, Water and Waste Permits Division.
 - i. The surety company issuing the bond must, at a minimum, be among those listed as acceptable sureties on federal bonds in Circular 570 of the U.S. Department of the Treasury and approved by the administrative authority.
 - ii. The permit holder or applicant who uses a surety bond to satisfy the requirements of this Section must also provide to the administrative authority evidence of the establishment of a standby trust fund. Under the terms of the bond, all payments made thereunder will be deposited by the surety directly into the standby trust fund in accordance with instructions from the administrative authority. The wording of the standby trust fund shall be as specified in Clause A.2.d.ix of this Section.
 - iii. The bond must guarantee that the operator will:



Occidental Chemical Corporation, L.L.C.
Taft Facility/Rainwater & Wastewater Treatment System
Solid Waste Permit Application – Second NOD Response

- (a). fund the standby trust fund in an amount equal to the penal sum of the bond before the beginning of final closure of the facility; or
 - (b). fund the standby trust fund in an amount equal to the penal sum within 15 days after an order to begin closure or post-closure is issued; or
 - (c). provide alternate financial assurance as specified in this Section and obtain the administrative authority's written approval of the assurance provided, within 90 days after receipt by both the permit holder and the administrative authority of a notice of cancellation of the bond from the surety.
- iv. Under the terms of the bond, the surety will become liable on the bond obligation when the permit holder fails to perform as guaranteed by the bond.
- v. The penal sum of the bond must be at least equal to the current closure and post-closure cost estimates.
- vi. Whenever the current cost-estimate increases to an amount greater than the penal sum, the permit holder, within 60 days after the increase, must either cause the penal sum to be increased to an amount at least equal to the current closure and post-closure estimate and submit evidence of such increase to the Office of Environmental Services, Water and Waste Permits Division, or obtain other financial assurance as specified in this Section to cover the increase. Whenever the current cost estimate decreases, the penal sum may be reduced to the amount of the current cost estimate following written approval by the administrative authority.
- vii. Under the terms of the bond, the surety may cancel the bond by sending notice of cancellation by certified mail to the permit holder and to the administrative authority. Cancellation may not occur, however, before 120 days have elapsed, beginning on the date that both the permit holder and the administrative authority receive the notice of cancellation, as evidenced by the return receipts.
- viii. The wording of the surety bond guaranteeing payment into a standby trust fund shall be identical to the wording that follows, except that the instructions in brackets are to be replaced with the relevant information and the brackets delete.

These regulations are inapplicable to OxyChem, as they pertain specifically to the surety bond mechanism, and OxyChem is demonstrating financial responsibility for closure and post-closure care via use of the financial test and corporate guarantee.

- f. **Performance Bonds.** A permit holder or applicant may satisfy the requirements of this Section by obtaining a surety bond that conforms to the following requirements and submitting the bond to the Office of Environmental Services, Water and Waste Permits Division.



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- viii. **The wording of the performance bond shall be identical to the wording that follows, except that the instructions in brackets are to be replaced with the relevant information and the brackets deleted.**

These regulations are inapplicable to OxyChem, as they pertain specifically to the performance bond mechanism, and OxyChem is demonstrating financial responsibility for closure and post-closure care via use of the financial test and corporate guarantee.

- g. **Letter of Credit. A permit holder or applicant may satisfy the requirements of this Section by obtaining an irrevocable standby letter of credit that conforms to the following requirements and submitting the letter to the Office of Environmental Services, Water and Waste Permits Division.**
- i. **The issuing institution must be an entity that has the authority to issue letters of credit and whose letter-of-credit operations are regulated and examined by a federal or state agency.**
 - ii. **A permit holder or applicant who uses a letter of credit to satisfy the requirements of this Section must also provide to the administrative authority evidence of the establishment of a standby trust fund. Under the terms of the letter of credit, all amounts paid pursuant to a draft by the administrative authority will be deposited by the issuing institution directly into the standby trust fund. The wording of the standby trust fund shall be as specified in Clause A.2.d.ix of this Section.**
 - iii. **The letter of credit must be accompanied by a letter from the permit holder or applicant referring to the letter of credit by number, issuing institution, and date, and providing the following information: solid waste identification number, site name, facility name, facility permit number, and the amount of funds assured for closure and/or post-closure of the facility by the letter of credit.**
 - iv. **The letter of credit must be irrevocable and issued for a period of at least one year, unless, at least 120 days before the current expiration date, the issuing institution notifies both the permit holder and the Office of Environmental Services, Water and Waste Permits Division, by certified mail of a decision not to extend the expiration date. Under the terms of the letter of credit, the 120 days will begin on the date when both the permit holder and the administrative authority receive the notice, as evidenced by the return receipts.**
 - v. **The letter of credit must be issued in an amount at least equal to the current closure and post-closure cost estimates.**
 - vi. **Whenever the current cost estimates increase to an amount greater than the amount of the credit, the permit holder, within 60 days after the increase, must either cause the amount of the credit to be increased so that it at least equals the current closure and post-closure cost estimates and submit evidence of such increase to the Office of Environmental**



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Services, Water and Waste Permits Division, or obtain other financial assurance as specified in this Section to cover the increase. Whenever the current cost estimate decreases, the amount of the credit may be reduced to the amount of the current closure and post-closure cost estimates upon written approval of the administrative authority.

- vii. Following a determination by the administrative authority that the permit holder has failed to perform final closure or post-closure in accordance with the closure plan and other permit requirements when required to do so, the administrative authority may draw on the letter of credit.
- viii. The wording of the letter of credit shall be identical to the wording that follows, except that the instructions in brackets are to be replaced with the relevant information and the brackets deleted.

These regulations are inapplicable to OxyChem, as they pertain specifically to the standby letter of credit mechanism, and OxyChem is demonstrating financial responsibility for closure and post-closure care via use of the financial test and corporate guarantee.

- h. **Insurance.** A permit holder or applicant may satisfy the requirements of this Section by obtaining insurance that conforms to the requirements of this Subparagraph and submitting a certificate of such insurance to the Office of Environmental Services, Water and Waste Permits Division.
 - i. At a minimum, the insurer must be licensed to transact the business of insurance, or eligible to provide insurance as an excess- or surplus-lines insurer in one or more states, and authorized to transact insurance business in Louisiana.
 - ii. The insurance policy must be issued for a face amount at least equal to the current closure and post-closure cost estimates.
 - iii. The term *face amount* means the total amount the insurer is obligated to pay under the policy. Actual payments by the insurer will not change the face amount, although the insurer's future liability will be lowered by the amount of the payments.
 - iv. The insurance policy must guarantee that funds will be available to close the facility and provide post-closure care once final closure occurs. The policy must also guarantee that, once final closure begins, the insurer will be responsible for paying out funds up to an amount equal to the face amount of the policy, upon the direction of the administrative authority, to such party or parties as the administrative authority specifies.
 - v. After beginning final closure, a permit holder or any other person authorized by the permit holder to perform closure and post-closure may request reimbursement for closure or post-closure expenditures by submitting itemized bills to the Office of Environmental Services, Water and Waste Permits Division. Within 60 days after receiving such bills, the administrative authority will determine whether the expenditures are in



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accordance with the closure plan or otherwise justified, and if so, he or she will instruct the insurer to make reimbursement in such amounts as the administrative authority specifies in writing.

- vi. The permit holder must maintain the policy in full force and effect until the administrative authority consents to termination of the policy by the permit holder.
- vii. Each policy must contain a provision allowing assignment of the policy to a successor permit holder. Such assignment may be conditional upon consent of the insurer, provided consent is not unreasonably refused.
- viii. The policy must provide that the insurer may not cancel, terminate, or fail to renew the policy except for failure to pay the premium. The automatic renewal of the policy must, at a minimum, provide the insured with the option of renewal at the face amount of the expiring policy. If there is a failure to pay the premium, the insurer may elect to cancel, terminate, or fail to renew the policy by sending notice by certified mail to the permit holder and the Office of Environmental Services, Water and Waste Permits Division. Cancellation, termination, or failure to renew may not occur, however, before 120 days have elapsed, beginning on the date that both the administrative authority and the permit holder receive notice of cancellation, as evidenced by the return receipts. Cancellation, termination, or failure to renew may not occur, and the policy will remain in full force and effect in the event that, on or before the date of expiration:
 - (a). the administrative authority deems the facility abandoned; or
 - (b). the permit is terminated or revoked or a new permit is denied; or
 - (c). closure and/or post-closure is ordered; or
 - (d). the permit holder is named as debtor in a voluntary or involuntary proceeding under Title 11 (Bankruptcy), U.S. Code; or
 - (e). the premium due is paid.
- ix. Whenever the current cost estimate increases to an amount greater than the face amount of the policy, the permit holder, within 60 days after the increase, *must either increase the face amount to at least equal to the current closure and post-closure cost estimates and submit evidence of such increase to the Office of Environmental Services, Water and Waste Permits Division, or obtain other financial assurance as specified in this Section to cover the increase. Whenever the current cost estimate decreases, the face amount may be reduced to the amount of the current closure and post-closure cost estimates following written approval by the administrative authority.*
- x. The wording of the certificate of insurance shall be identical to the wording that follows, except that the instructions in brackets are to be replaced with the relevant information and the brackets deleted.



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These regulations are inapplicable to OxyChem, as they pertain specifically to the standby letter of credit mechanism, and OxyChem is demonstrating financial responsibility for closure and post-closure care via use of the financial test and corporate guarantee.

- i. **Financial Test.** A permit holder, applicant, or parent corporation of the permit holder or applicant, which will be responsible for the financial obligations, may satisfy the requirements of this Section by demonstrating that he or she passes a financial test as specified in this Subparagraph. The assets of the parent corporation of the applicant or permit holder shall not be used to determine whether the applicant or permit holder satisfies the financial test, unless the parent corporation has supplied a corporate guarantee as outlined in Clause A.1.d.iv of this Section.

OxyChem has opted to demonstrate financial responsibility through the financial test and corporate guarantee. *Appendix K* contains a letter from the Occidental Petroleum Corporation Vice President and Chief Financial Officer dated March 31, 2006, which addresses the financial test and corporate guarantee.

- i. To pass this test, the permit holder, applicant, or parent corporation of the permit holder or applicant, must meet the criteria of either Subclause (a) or (b) below.
- (a). The permit holder, applicant, or parent corporation of the permit holder or applicant must have:
- (i). tangible net worth of at least six times the sum of the current closure and post-closure estimates to be demonstrated by this test, and the amount of liability coverage to be demonstrated by this test; and
 - (ii). tangible net worth of at least \$10 million; and
 - (iii). assets in the United States amounting to either at least 90 percent of his total assets, or at least six times the sum of the current closure and post-closure estimates, to be demonstrated by this test, and the amount of liability coverage to be demonstrated by this test.
- (b). The permit holder, applicant, or parent corporation of the permit holder or applicant must have:
- (i). a current rating for his most recent bond issuance of AAA, AA, A, or BBB, as issued by *Standard and Poor's*, or Aaa, Aa, or Baa, as issued by *Moody's*; and
 - (ii). tangible net worth of at least \$10 million; and
 - (iii). assets in the United States amounting to either 90 percent of his total assets or at least six times the sum of the current closure and post-closure estimates, to be demonstrated by this test, and the amount of liability coverage to be demonstrated by this test.



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OxyChem meets the requirements of Subclause (b) in that its current rating for the most recent bond issuance was A-A3, its tangible net worth exceeds \$10 million, and it has assets in the U.S. amounting to at least six times the sum of the current closure and post-closure estimates. This information is documented in *Appendix M*, in a letter from the Occidental Petroleum Corporation Vice President and Chief Financial Officer dated March 31, 2006.

- ii. **To demonstrate that he or she meets this test, the permit holder, applicant, or parent corporation of the permit holder or applicant must submit the following three items to the Office of Environmental Services, Water and Waste Permits Division:**
 - (a). **a letter signed by the chief financial officer of the permit holder, applicant, or parent corporation demonstrating and certifying the criteria in Clause A.2.i.i of this Section and including the information required by Clause A.2.i.iv of this Section. If the financial test is provided to demonstrate both assurance for closure and/or post-closure care and liability coverage, a single letter to cover both forms of financial responsibility is required;**
 - (b). **a copy of the independent certified public accountant (CPA)'s report on the financial statements of the permit holder, applicant, or parent corporation of the permit holder or applicant for the latest completed fiscal year;**
 - (c). **a special report from the independent CPA to the permit holder, applicant, or parent corporation of the permit holder or applicant stating that:**
 - (i). **he or she has computed the data specified by the chief financial officer as having been derived from the independently audited, year-end financial statements with the amounts for the latest fiscal year in such financial statements; and**
 - (ii). **in connection with that procedure, no matters came to his attention that caused him to believe that the specified data should be adjusted.**

Appendix M contains the required: letter signed by the Chief Financial Officer; copy of the independent certified public accountant (CPA)'s report on the financial statements of OxyChem; and the required special report from the independent CPA.

- iii. **The administrative authority may disallow use of this test on the basis of the opinion expressed by the independent CPA in his report on qualifications based on the financial statements. An adverse opinion or a disclaimer of opinion will be cause for disallowance. The administrative**



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authority will evaluate other qualifications on an individual basis. The administrative authority may disallow the use of this test on the basis of the accessibility of the assets of the parent corporation (corporate guarantor), permit holder, or applicant. The permit holder, applicant, or parent corporation must provide evidence of insurance for the entire amount of required liability coverage, as specified in this Section, within 30 days after notification of disallowance.

OxyChem acknowledges the fact that LDEQ may disallow use of the financial test for the various reasons set forth in the above-cited regulation.

- iv. **The permit holder, applicant, or parent corporation (if a corporate guarantor) of the permit holder or applicant shall provide to the Office of Environmental Services, Water and Waste Permits Division, a letter from the chief financial officer certifying the following information:**
- (a). **a list of solid waste facilities, whether in Louisiana or not, owned or operated by the permit holder or applicant of the facility, for which financial assurance for liability coverage is demonstrated through the use of financial tests, including the amount of liability coverage;**
 - (b). **a list of solid waste facilities, whether in Louisiana or not, owned or operated by the permit holder or applicant, for which financial assurance for the closure or post-closure care is demonstrated through the use of a financial test or self-insurance by the permit holder or applicant, including the cost estimates for the closure and post-closure care of each facility;**
 - (c). **a list of the solid waste facilities, whether in Louisiana or not, owned or operated by any subsidiaries of the parent corporation for which financial assurance for closure and/or post-closure is demonstrated through the financial test or through use of self-insurance, including the current cost estimate for the closure or post-closure care for each facility and the amount of annual aggregate liability coverage for each facility; and**
 - (d). **a list of solid waste facilities, whether in Louisiana or not, for which financial assurance for closure or post-closure care is not demonstrated through the financial test, self-insurance, or other substantially equivalent state mechanisms, including the estimated cost of closure and post-closure of such facilities.**
 - (e). **The wording of the letter from the chief financial officer shall be identical to the wording as follows, except that the instructions in brackets are to be replaced with the relevant information and the brackets deleted.**



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The previously mentioned letter signed by Occidental Petroleum Corporation's Chief Financial Officer (contained in *Appendix M*) meets all of the aforementioned requirements, including that the wording of said letter is identical to the wording set forth in LAC 33:VII.727.A.2.i.iv.(e).

- v. **For the purposes of Paragraph A.2 of this Section, the phrase "tangible net worth" shall mean the tangible assets that remain after liabilities have been deducted; such assets would not include intangibles such as good will and rights to patents or royalties.**

OxyChem's "tangible net worth," as presented in the previously mentioned letter signed by Occidental Petroleum Corporation's Chief Financial Officer (contained in *Appendix M*), is \$15,013,000,000. This figure comprises the amount of tangible assets that remain after liabilities have been deducted and does not include intangibles such as good will and rights to patents or royalties.

- vi. **The phrase "current closure and post-closure cost estimates," as used in Clause A.2.i.i of this Section, includes the cost estimates required to be shown in Division A.2.i.i.(a).(i) of this Section.**

The information provided regarding "current closure and post-closure estimates," as used in Clause A.2.i.i. of this Section of the regulations, includes the cost estimates required to be shown in Section A.2.1.1.(a).(i). of this Section of the regulations.

- vii. **After initial submission of the items specified in Clause A.2.i.ii of this Section, the permit holder, applicant, or parent corporation of the permit holder or applicant must send updated information to the Office of Environmental Services, Water and Waste Permits Division, within 90 days after the close of each succeeding fiscal year. This information must include all three items specified in Clause A.2.i.ii of this Section.**

After initial submission of the items specified in Clause A.2.i.ii. of this Section of the regulations, OxyChem will submit updated information to the Office of Environmental Services, Water and Waste Permits Division within 90 days after the close of each succeeding fiscal year. This information will include all three items specified in Clause A.2.1.ii of this section of the regulations.

- viii. **The administrative authority may, on the basis of a reasonable belief that the permit holder, applicant, or parent corporation of the permit holder or applicant may no longer meet the requirements of Subparagraph A.2.i of this Section, require reports of financial condition at any time in addition to those specified in Clause A.2.i.ii of this Section. If the administrative authority finds, on the basis of such reports or other information, that the permit holder, applicant, or parent corporation of the permit holder or applicant no longer meets the requirements of**



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Clause A.2.i.ii of this Section, the permit holder or applicant, or parent corporation of the permit holder or applicant must provide alternate financial assurance as specified in Paragraph A.2 of this Section within 30 days after notification of such a finding.

OxyChem acknowledges that LDEQ may, on the basis of a reasonable belief that OxyChem may no longer meet the requirements of Subparagraph A.2.i. of this section of the regulations, require reports of financial condition at any time in addition to those specified in Clause A.2.i.ii of this section of the regulations. OxyChem also acknowledges that if LDEQ finds, on the basis of such reports or other information, that OxyChem no longer meets the requirements of Clause A.2.i.ii. of this section of the regulations, OxyChem will be required to provide alternate financial assurance as specified in Paragraph A.2 of this Section of the regulations within 30 days after notification of such a finding.

- ix. A permit holder or applicant may meet the requirements of Subparagraph A.2.i of this Section for closure and/or post-closure by obtaining a written guarantee, hereafter referred to as a "corporate guarantee." The guarantor must be the parent corporation of the permit holder or applicant. The guarantor must meet the requirements and submit all information required for permit holders or applicants in Clauses i-viii of this Subparagraph and must comply with the terms of the corporate guarantee. The corporate guarantee must accompany the items sent to the administrative authority specified in Clauses ii and iv of this Subparagraph. The terms of the corporate guarantee must be in an authentic act signed and sworn by an authorized officer of the corporation before a notary public and must provide that:**

OxyChem has satisfied the requirements of this regulation by obtaining a written guarantee (i.e., corporate guarantee). The guarantor is the OxyChem's part corporation (i.e., Occidental Petroleum Corporation). The guarantor, Occidental Petroleum Corporation, has met the requirements of, and has submitted all information required by, Clauses i.-viii. of this Subparagraph of the regulations. The corporate guarantee is contained in *Appendix M*. In addition, the terms of the corporate guarantee are in an authentic act signed and sworn by an authorized officer of the corporation, before a notary public.

- (a). the guarantor meets or exceeds the financial test criteria and agrees to comply with the reporting requirements for guarantors as specified in Subparagraph A.2.i of this Section;**

The guarantor, Occidental Petroleum Corporation, meets or exceeds the financial test criteria and agrees to comply with the reporting requirements for guarantors as specified in Subparagraph A.2.i. of this section of the regulations.

- (b). the guarantor is the parent corporation of the permit holder or applicant of the solid waste management facility or facilities to be**



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covered by the guarantee, and the guarantee extends to certain facilities;

The guarantor, Occidental Petroleum Corporation, is the parent corporation of OxyChem, the permit holder of the facility to be covered by the guarantee, and the guarantee extends to that facility.

- (c). **"closure plans," as used in the guarantee, refers to the plans maintained as required by the Louisiana solid waste rules and regulations for the closure and post-closure care of facilities, as identified in the guarantee;**

The term "closure plans," as used in the guarantee, refers to the plans maintained by OxyChem, as required by the Louisiana Solid Waste Rules and Regulations for the closure and post-closure care of facilities, as identified in the guarantee (*Appendix M*).

- (d). **for value received from the permit holder or applicant, the guarantor guarantees to the Louisiana Department of Environmental Quality that the permit holder or applicant will perform closure, post-closure care, or closure and post-closure care of the facility or facilities listed in the guarantee, in accordance with the closure plan and other permit or regulatory requirements whenever required to do so. In the event that the permit holder or applicant fails to perform as specified in the closure plan, the guarantor shall do so or establish a trust fund as specified in Subparagraph A.2.d of this Section, in the name of the permit holder or applicant, in the amount of the current closure or post-closure cost estimates or as specified in Subparagraph A.2.b. of this Section;**

The guarantor, Occidental Petroleum Corporation, guarantees to LDEQ that OxyChem will perform closure and post-closure care of the facility, which is listed in the guarantee, in accordance with the closure plan and post-closure plan and other permit or regulatory requirements whenever required to do so. In the event that OxyChem fails to perform as specified in the closure and post-closure plans, the guarantor, Occidental Petroleum Corporation, shall do so.

- (e). **guarantor agrees that if, at the end of any fiscal year before termination of the guarantee, the guarantor fails to meet the financial test criteria, the guarantor shall send within 90 days after the end of the fiscal year, by certified mail, notice to the Office of Environmental Services, Water and Waste Permits Division, and to the permit holder or applicant that he intends to provide alternative financial assurance as specified in Paragraph A.2 of this Section, in the name of the permit holder or applicant, and that within 120 days after the end of such fiscal year, the guarantor shall establish such**



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financial assurance unless the permit holder or applicant has done so;

The guarantor, Occidental Petroleum Corporation, agrees that if, at the end of any fiscal year, before termination of the guarantee, it fails to meet the financial test criteria, it will send, within 90 days after the end of the fiscal year, via certified mail, notice to the Office of Environmental Services, Water and Waste Permits Division, and to OxyChem, that it intends to provide alternative financial assurance, as specified in Paragraph A.2 of this section of the regulations, in OxyChem's name, and that within 120 days after the end of such fiscal year, the guarantor will establish such financial assurance unless OxyChem has done so.

- (f). the guarantor agrees to notify the Office of Environmental Services, Water and Waste Permits Division, by certified mail of a voluntary or involuntary proceeding under Title 11 (Bankruptcy), U.S. Code, naming the guarantor as debtor, within 10 days after commencement of the proceeding;**

The guarantor, Occidental Petroleum Corporation, agrees to notify the Office of Environmental Services, Water and Waste Permits Division, via certified mail, of either a voluntary or involuntary proceeding under Title 11 (Bankruptcy), U.S. Code, naming the guarantor as debtor, within 10 days after of commencement of the proceeding.

- (g). the guarantor agrees that within 30 days after being notified by the administrative authority of a determination that the guarantor no longer meets the financial test criteria or that he is disallowed from continuing as a guarantor of closure or post-closure care, he shall establish alternate financial assurance as specified in Paragraph A.2 of this Section in the name of the permit holder or applicant, unless the permit holder or applicant has done so;**

The guarantor, Occidental Petroleum Corporation, agrees that, within 30 days after being notified by the LDEQ of a determination that the guarantor no longer meets the financial test criteria or that it is disallowed from continuing as a guarantor of closure or post-closure care, it shall establish alternate financial assurance, as specified in Paragraph A.2 of this section of the regulations, in OxyChem's name, unless OxyChem has done so.

- (h). the guarantor agrees to remain bound under the guarantee, notwithstanding any or all of the following: amendment or modification of the closure plan, amendment or modification of the permit, extension or reduction of the time of performance of closure or post-closure, or any other modification or alteration of an obligation of the permit holder or applicant pursuant to these regulations;**



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The guarantor, Occidental Petroleum Corporation, agrees to remain bound under the guarantee, notwithstanding any or all of the following: amendment or modification of the closure plan, amendment or modification of the permit, extension or reduction of the time of performance of closure or post-closure, or any other modification or alteration of an obligation of OxyChem pursuant to these regulations.

- (i). **the guarantor agrees to remain bound under the guarantee for as long as the permit holder must comply with the applicable financial assurance requirements of Paragraph A.2 of this Section for the above-listed facilities, except that the guarantor may cancel this guarantee by sending notice by certified mail to the Office of Environmental Services, Water and Waste Permits Division, and the permit holder or applicant. The cancellation will become effective no earlier than 90 days after receipt of such notice by both the administrative authority and the permit holder or applicant, as evidenced by the return receipts;**

The guarantor, Occidental Petroleum Corporation, agrees to remain bound under the guarantee for as long as OxyChem must comply with the applicable financial assurance requirements of Paragraph A.2 of this section of the regulations for the Rainwater & Wastewater Treatment System, except that the guarantor may cancel this guarantee by sending notice, via certified mail, to the Office of Environmental Services, Water and Waste Permits Division, and OxyChem. OxyChem acknowledges that the cancellation will become effective no early than 90 days after receipt of such notice by both LDEQ and OxyChem, as evidenced by the return receipts.

- (j). **the guarantor agrees that if the permit holder or applicant fails to provide alternative financial assurance as specified in Paragraph A.2 of this Section, and to obtain written approval of such assurance from the administrative authority within 60 days after the administrative authority receives the guarantor's notice of cancellation, the guarantor shall provide such alternate financial assurance in the name of the owner or operator;**

The guarantor, Occidental Petroleum Corporation, agrees that if OxyChem fails to provide alternative financial assurance, as specified in Paragraph A.2 of this section of the regulations, and to obtain written approval of such assurance from LDEQ within 60 days after LDEQ receives the guarantor's notice of cancellation, the guarantor shall provide such alternate financial assurance in the name of the owner/operator, Occidental Chemical Corporation.

- (k). **the guarantor expressly waives notice of acceptance of the guarantee by the administrative authority or by the permit holder. Guarantor also expressly waives notice of amendments or modifications of the**



closure plan and of amendments or modifications of the facility permit(s).

The guarantor, Occidental Petroleum Corporation, expressly waives notice of acceptance of the guarantee by LDEQ or by OxyChem. The guarantor also expressly waives notice of amendments or modifications of the closure plan or post-closure plan and of amendments or modifications of the facility permit.

- (l). **The wording of the corporate guarantee must be as follows, except that instructions in brackets are to be replaced with the relevant information and the brackets deleted.**

The wording of the corporate guarantee (See, *Appendix K*) is identical to the wording provided in this section of the regulations except that the instructions in brackets were replaced with the relevant information and the brackets were deleted.

- j. **Local Government Financial Test. An owner or operator that satisfies the requirements of Clauses A.2.j.i-iii of this Section may demonstrate financial assurance up to the amount specified in Clause A.2.j.iv of this Section.**

These regulations are inapplicable to OxyChem, as they pertain specifically to local governments. OxyChem is a corporation and not a governmental entity.

- k. **Local Government Guarantee. An owner or operator may demonstrate financial assurance for closure, post-closure, and corrective action, as required by Paragraphs A.1-2 of this Section, by obtaining a written guarantee provided by a local government. The guarantor must meet the requirements of the local government financial test in Subparagraph A.2.j of this Section, and must comply with the terms of a written guarantee.**

These regulations are inapplicable to OxyChem, as they pertain specifically to local governments. OxyChem is a corporation and not a governmental entity.

- l. **Use of Multiple Mechanisms. An owner or operator may demonstrate financial assurance for closure, post-closure, and corrective action, as required by Paragraphs A.1-2 of this Section, by establishing more than one financial mechanism per facility, except that mechanisms guaranteeing performance, rather than payment may not be combined with other instruments. The mechanisms must be as specified in Subparagraphs A.2.d-i of this Section, except that financial assurance for an amount at least equal to the current cost estimate for closure, post-closure care, and/or corrective action may be provided by a combination of mechanisms, rather than a single mechanism.**

As previously stated, OxyChem has opted to demonstrate financial responsibility through the financial test and corporate guarantee. Also, as previously stated, *Appendix M* contains a letter from Occidental Petroleum Corporation's Vice



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President and Chief Financial Officer dated March 31, 2006, which addresses the financial test and corporate guarantee.

- m. Discounting. The administrative authority may allow discounting of closure and post-closure cost estimates in Paragraph A.2 of this Section, and/or corrective action costs in Paragraph A.1 of this Section up to the rate of return for essentially risk-free investments, net of inflation, under the following conditions:**
- i. the administrative authority determines that cost estimates are complete and accurate and the owner or operator has submitted a statement from a registered professional engineer to the Office of Environmental Services, Water and Waste Permits Division, so stating;**
 - ii. the state finds the facility in compliance with applicable and appropriate permit conditions;**
 - iii. the administrative authority determines that the closure date is certain and the owner or operator certifies that there are no foreseeable factors that will change the estimate of site life; and**
 - iv. discounted cost estimates must be adjusted annually to reflect inflation and years of remaining life.**

OxyChem acknowledges that LDEQ may allow for discounting of closure and post-closure cost estimates and/or corrective action costs up to the rate of return, for essentially risk-free investments and net of inflation under certain specified conditions, but, at this time, OxyChem does not intend to pursue such discounting.

APPENDIX E
ENGINEERING CERTIFICATION



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Facility Plans and Specifications
Certification
(LAC 33:VII.521.F.1)

The Rainwater & Wastewater Treatment System, located within the OxyChem Taft Facility, is an existing facility that was originally designed and constructed to engineered specifications in compliance with the regulatory and design requirements of that time. The plans for the Rainwater Treatment System were prepared under the supervision of one of the licensed Civil Engineers with what was then known as Hooker Chemical Corporate Engineering.

No design, plans or specifications were prepared for this permit renewal application.

I certify under penalty of law that I have personally examined and I am familiar with the information submitted in this permit application and that the facility as described in this permit application meets the requirements of the Solid Waste Rules and Regulations. I am aware that there are significant penalties for knowingly submitting false information, including the possibility of fine and imprisonment.

A professional engineer's certification of conditions comprises a declaration of his professional judgment. It does not constitute a warranty or guarantee, expressed or implied.

Chris Howard

Name

30178

Registration No.

LA

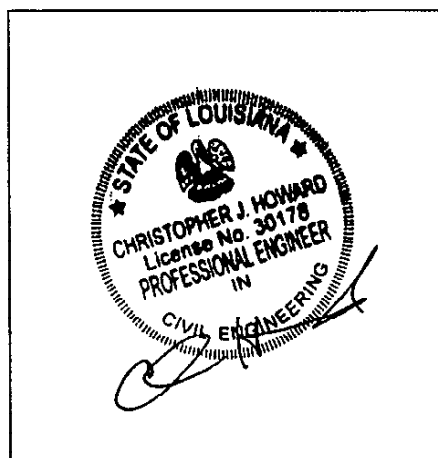
State

Christopher J. Howard

Signature

3.26.2007

Date



(Seal)

APPENDIX F
OXYCHEM ANNUAL REPORT AND 10-K FORM

Occidental Petroleum Corporation

Oxy

Annual Report 2005



Selected Financial Data

Dollar amounts in millions, except per-share amounts

For the years ended December 31,

	2005	2004	2003	2002	2001
Results of Operations^(a)					
Net sales	\$ 15,208	\$ 11,368	\$ 9,240	\$ 7,247	\$ 8,012
Income from continuing operations	\$ 5,272	\$ 2,606	\$ 1,601	\$ 1,181	\$ 1,182
Net income	\$ 5,281	\$ 2,568	\$ 1,527	\$ 989	\$ 1,154
Basic earnings per common share from continuing operations	\$ 13.07	\$ 6.59	\$ 4.17	\$ 3.14	\$ 3.17
Basic earnings per common share	\$ 13.09	\$ 6.49	\$ 3.98	\$ 2.63	\$ 3.10
Diluted earnings per common share	\$ 12.91	\$ 6.40	\$ 3.93	\$ 2.61	\$ 3.09
Core earnings ^(b)	\$ 3,964	\$ 2,499	\$ 1,641	\$ 1,017	\$ 1,249
Financial Position^(a)					
Total assets	\$ 26,108	\$ 21,391	\$ 18,168	\$ 16,548	\$ 17,850
Long-term debt, net and trust preferred securities ^(c)	\$ 2,873	\$ 3,345	\$ 4,446	\$ 4,452	\$ 4,528
Common stockholders' equity	\$ 15,032	\$ 10,550	\$ 7,929	\$ 6,318	\$ 5,634
Market Capitalization	\$ 32,129	\$ 23,153	\$ 16,349	\$ 10,750	\$ 9,926
Cash Flow					
Cash provided by operating activities	\$ 5,337	\$ 3,878	\$ 3,074	\$ 2,100	\$ 2,566
Capital expenditures	\$ (2,423)	\$ (1,843)	\$ (1,600)	\$ (1,234)	\$ (1,305)
Cash (used) provided by all other investing activities, net	\$ (738)	\$ (585)	\$ (531)	\$ (462)	\$ 654
Dividends Per Common Share	\$ 1.29	\$ 1.10	\$ 1.04	\$ 1.00	\$ 1.00
Basic Shares Outstanding (thousands)	403,300	395,580	383,943	376,190	372,119

(a) See the MD&A section of this report and the "Notes to Consolidated Financial Statements" for information regarding accounting changes, asset acquisitions and dispositions, discontinued operations, environmental remediation, other costs and other items affecting comparability.

(b) For an explanation of core earnings, see "Significant Items Affecting Earnings" in the MD&A section of this report.

(c) On January 20, 2004, Occidental redeemed the trust preferred securities.

Portions of this report contain forward-looking statements and involve risks and uncertainties that could materially affect expected results of operations, liquidity, cash flows and business prospects. Words such as "estimate," "project," "predict," "will," "anticipate," "plan," "intend," "believe," "expect" or similar expressions that convey the uncertainty of future events or outcomes generally identify forward-looking statements. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this report. Unless legally required, Occidental expressly disclaims any obligation to publicly update or revise any forward-looking statements, as a result of new information, future events or otherwise.

ON THE COVER:

A Dolphin Energy Limited drilling rig in Qatar's North Field. Occidental holds a 24.5-percent interest in the Dolphin Project, a premier transborder natural gas project that will bring 2 billion cubic feet of natural gas per day from Qatar to markets in the United Arab Emirates.

Oxy in Brief



Occidental Petroleum Corporation (NYSE: OXY) is a world leader in oil and natural gas exploration and production, and a major North American chemical manufacturer. With oil and natural gas operations in the United States, the Middle East–North Africa region and Latin America, Occidental is helping to meet the world's energy needs.

In the United States, Occidental is the largest oil producer in Texas and the largest natural gas producer in California, with additional operations in Kansas, Oklahoma and New Mexico. Occidental also has an interest in a single non-operated property in the Gulf of Mexico. In the Middle East – North Africa, Occidental has assets in Libya, Oman, Qatar, Yemen and is a partner in the transborder Dolphin Project that will supply natural gas from Qatar to markets in the United Arab Emirates. Our Latin American operations include producing assets in Argentina, Bolivia, Colombia and Ecuador. In addition, the company has assets in Russia and Pakistan.

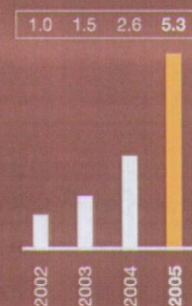
Occidental Chemical Corporation (OxyChem) manufactures vinyls and specialty chemical products in addition to chlorine and caustic soda—the building blocks for such indispensable products as pharmaceuticals, water disinfectants, detergents and others.

Worldwide, Occidental is committed to safeguarding the environment, protecting the safety and health of employees and neighboring communities and upholding the highest standards of social responsibility.



Dr. Ray R. Irani
Chairman, President and Chief Executive Officer

Net Income
\$ in Billions



Return on Equity
Stated as Percent



Report to Stockholders

2005 was another record-setting year for Occidental as net income, operating cash flow and year-end proved oil and gas reserves again reached new highs. Occidental and our stockholders continued to reap the benefits from management's execution of its long-term strategy to generate top quartile financial returns among our oil and gas industry peers. While the industry as a whole has benefited from high commodity prices, Occidental has outperformed its competitors in capturing the value of high prices on an equivalent barrel of production basis and delivering it to the bottom line.

In addition to positioning the oil and gas segment for sustainable growth and profitability, we took steps to strengthen the chemical segment that enable us to benefit from improving margins in a growing global economy.

Above all, our strong performance is a testimonial to the combined efforts of our board of directors, management team and global work force in creating significant long-term value for our stockholders. Everyone in our organization, from employees turning valves in the field to the senior executives, is focused on the key metrics that drive our performance: (1) optimizing profit and free cash flow for every equivalent barrel we produce; (2) controlling costs; (3) maintaining top quartile oil and gas finding and development costs; (4) keeping

reserve replacement high; and (5) generating top quartile returns on equity and capital employed. The results of these collaborative efforts are evident in the company's overall performance.

MARKET PERFORMANCE

Occidental's year-end closing stock price of \$79.88 per share was the highest year-end stock price in the company's history. Our 2005 total return to stockholders, based on stock price appreciation plus dividend reinvestment, was 39 percent. Over the past five years, Occidental's total return to stockholders of 279 percent substantially outperformed the total return of 166 percent recorded by the Standard & Poor's 500 Oil and Gas Exploration and Production Index and 59 percent by the Standard & Poor's 500 Oil and Gas Integrated Index.

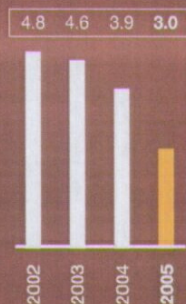
Return on Capital Employed* Stated as Percent



Debt-to-Capitalization Ratio Stated as Percent



Total Debt \$ in Billions



Common Stockholders' Equity \$ in Billions



*ROCE is earnings before interest expense and tax effect of interest expense over stockholders' equity plus average total debt.

FINANCIAL PERFORMANCE

Occidental's strong operational and financial performance in 2005 resulted in net income and operating cash flow rising to record highs for the third consecutive year. Consolidated net income increased to \$5.3 billion, more than double our record results in 2004 of \$2.6 billion. Cash flow from operations rose to \$5.3 billion, up 38 percent from 2004. Total debt was reduced by nearly \$900 million, from \$3.9 billion at year-end 2004 to \$3.0 billion at the end of 2005 — a reduction of 23 percent. Interest expense for 2005, excluding debt repayment charges, was \$159 million, compared to \$223 million in 2004. At year-end 2005, Occidental had approximately \$2.4 billion of cash on hand. The strength of our balance sheet led each of the four major rating agencies to upgrade our credit rating to the "single A" level. Our strong balance sheet enhances our ability to compete successfully for large international growth projects.

Capital expenditures for 2005 were \$2.4 billion, compared to \$1.8 billion in 2004. The oil and gas segment accounted for more than 90 percent of

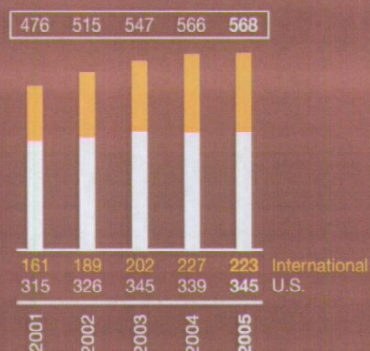
the total. We expect capital expenditures to rise by approximately \$700 million in 2006, an increase of 29 percent over the 2005 level, driven by the large number of excellent growth projects in our portfolio. Maintaining discipline in the investment of capital is critical to producing top quartile financial returns.

Our 2005 return on capital employed was 33 percent, and the three-year average from 2003 through 2005 was 23 percent. Our return on equity in 2005 was 41 percent, and the three-year average was 31 percent. During that same three-year period, our stockholders' equity grew by 138 percent — from \$6.3 billion to \$15 billion.

In October 2005, the board of directors increased the quarterly dividend to \$0.36 per share, for an annual rate of \$1.44 per share, compared to the previous annual rate of \$1.24 per share. Occidental has paid quarterly cash dividends without interruption since 1975. We will continue to evaluate our dividend policy at least annually and continue to look favorably upon additional increases commensurate with management's long-term free cash flow outlook.

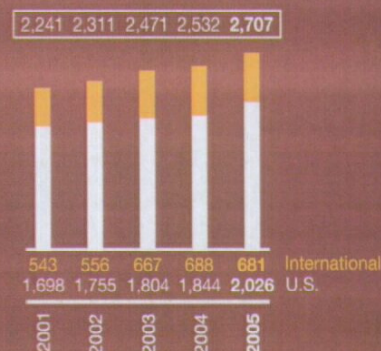
Oil & Natural Gas Production*

Thousand BOE/Day



Oil & Natural Gas Proved Reserves*

Million BOE



*Includes consolidated subsidiaries and investments in other interests.

Oil & Gas

OPERATIONS PERFORMANCE

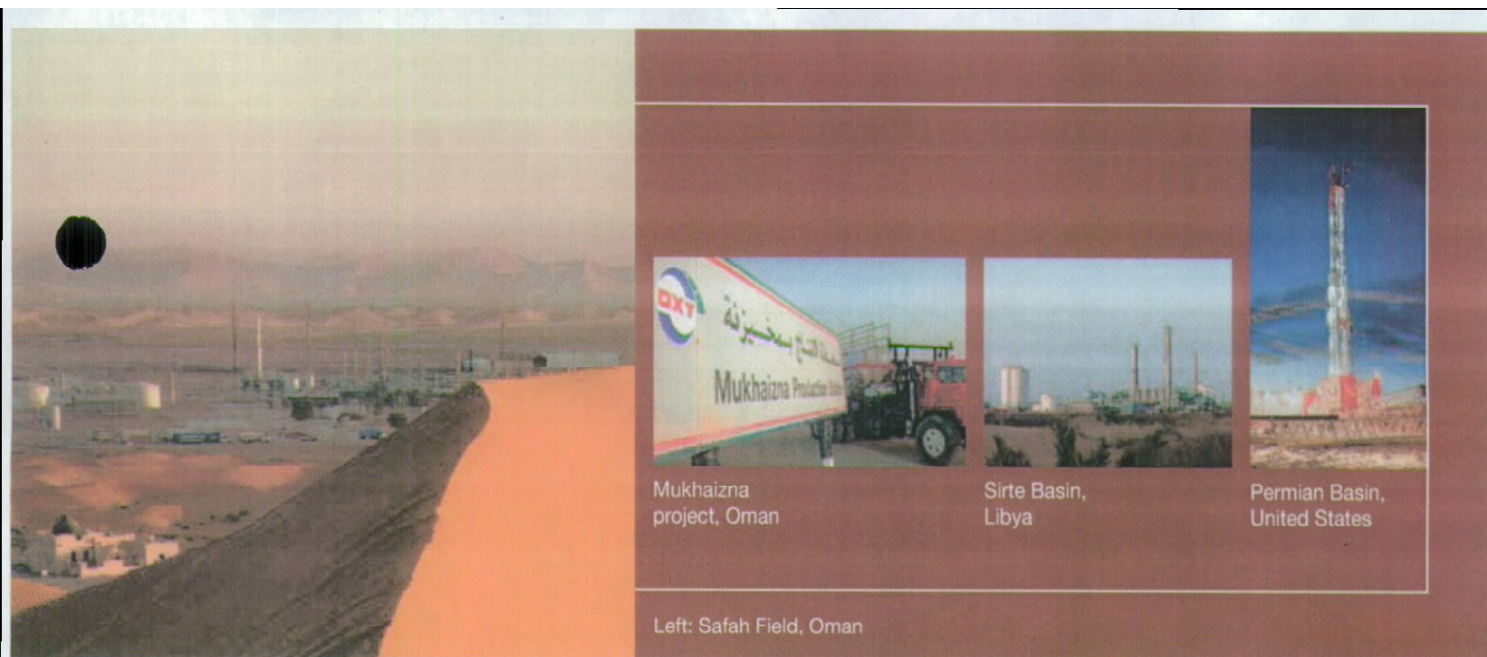
Oil and gas segment earnings for the year were a record \$6.3 billion, 47 percent higher than the previous record in 2004. The improvement was mainly the result of higher combined oil and gas prices. Oil and gas income on a barrel of oil equivalent (BOE) basis — after taxes and before interest expense — was \$20.01, which we believe will place Occidental in the top quartile of large capitalization oil and gas industry peers for the seventh consecutive year.

Worldwide oil and natural gas production averaged 568,000 BOE per day in 2005, or a total of 207 million BOE for the year, which was slightly higher than in 2004. Our oil and gas production for the fourth quarter 2005 averaged a quarterly record high of 589,000 equivalent barrels per day, up 4.8 percent from the third quarter and 5.6 percent from the fourth quarter 2004. The improvement in the fourth quarter reflects a full quarter of production from Libya, the start up of the Mukhaizna project and the resumption of full production at Horn Mountain in the Gulf of Mexico in the wake of the hurricanes.

In 2005, we continued adding proved oil and gas reserves well ahead of production. Occidental's consolidated subsidiaries produced approximately 199 million BOE in 2005 while adding 380 million BOE of proved reserves from all sources, for a production replacement rate of 191 percent. At year-end 2005, Occidental's total worldwide proved reserves rose to a record 2.71 billion BOE.

The completion of the acquisition of Vintage Petroleum in January 2006 increased Occidental's worldwide pro forma proved reserves by 342 million BOE, excluding approximately 72 million BOE of Vintage reserves held for sale, to a record 3.05 billion BOE. The United States accounted for 69 percent of the total, followed by the Middle East with 16 percent, Latin America with 13 percent and 2 percent for other operations.

United States In 2005, Occidental produced an average of approximately 345,000 BOE per day in our U.S. operations, or 61 percent of our total worldwide production. The largest operation is in the Permian Basin of West Texas and Southeastern New Mexico, which averaged 189,000 BOE per day, or 33 percent of our worldwide production. Production from California averaged about



Mukhaizna
project, Oman

Sirte Basin,
Libya

Permian Basin,
United States

Left: Safah Field, Oman

116,000 BOE per day, which was 20 percent of the worldwide total. The other domestic operations averaged about 40,000 BOE per day.

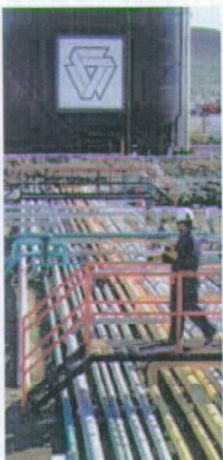
In May 2005, Occidental acquired oil and gas producing assets from ExxonMobil in the Permian Basin. This strategic acquisition, together with two smaller acquisitions completed in the first quarter of 2005, further strengthened Occidental's industry-leading position in the Permian Basin and is consistent with our strategy of focusing on large, long-lived assets in our core geographic areas.

Middle East–North Africa Occidental's net 2005 production from our Middle East – North Africa operations averaged 103,000 BOE per day and accounted for 18 percent of our total worldwide production.

In late September 2005, Occidental had its first lifting of Libyan crude oil after resuming operations in July in its historical Libyan contract areas. Occidental was required to leave its oil exploration and production operations in the prolific Sirte Basin in 1986 when the U.S. government barred American companies from doing business in Libya. During the interim, the producing properties have been operated by a subsidiary of Libya's National Oil Corporation.

Libya contributed an average of 8,000 BOE per day to Occidental's 2005 net worldwide production, which reflects an annualized rate for the partial year of operations. During the fourth quarter 2005, Occidental's net production from Libya averaged 24,000 BOE per day. Occidental's total exploration and production acreage in Libya encompasses an area of approximately 130,000 square kilometers, making Occidental the largest net holder of oil and gas acreage in the country.

In March 2005, Occidental and its partners signed agreements with Libya's National Oil Company for nine of the 15 exploration blocks awarded in the EPSA-4 oil and gas licensing round in January. Occidental is the operator and holds a 90-percent exploration working interest in onshore Blocks 106 and 124 in the Sirte Basin, Blocks 131 and 163 in the Murzuk Basin and Block 59 in the Cyrenaica Basin. Liwa Energy, owned by the Government of the Emirate of Abu Dhabi, holds the remaining 10-percent interest. Occidental is currently gathering and processing seismic data and expects to drill three to five exploration wells in areas 106 and 124 in the second half of 2006. Occidental also holds a 35-percent exploration working interest in offshore Blocks 35, 36, 52 and 53, with Liwa holding a 10-percent share.



“Occidental’s position in Latin America is significantly enhanced with the acquisition of Vintage Petroleum. Vintage has a sizeable operation in Argentina with substantial growth potential as well as a much smaller position in Bolivia. Production from the former Vintage properties in Argentina averaged approximately 37,000 BOE per day in December 2005.”

The Australian company, Woodside Petroleum Ltd., has a 55-percent interest and is the operator for these offshore blocks.

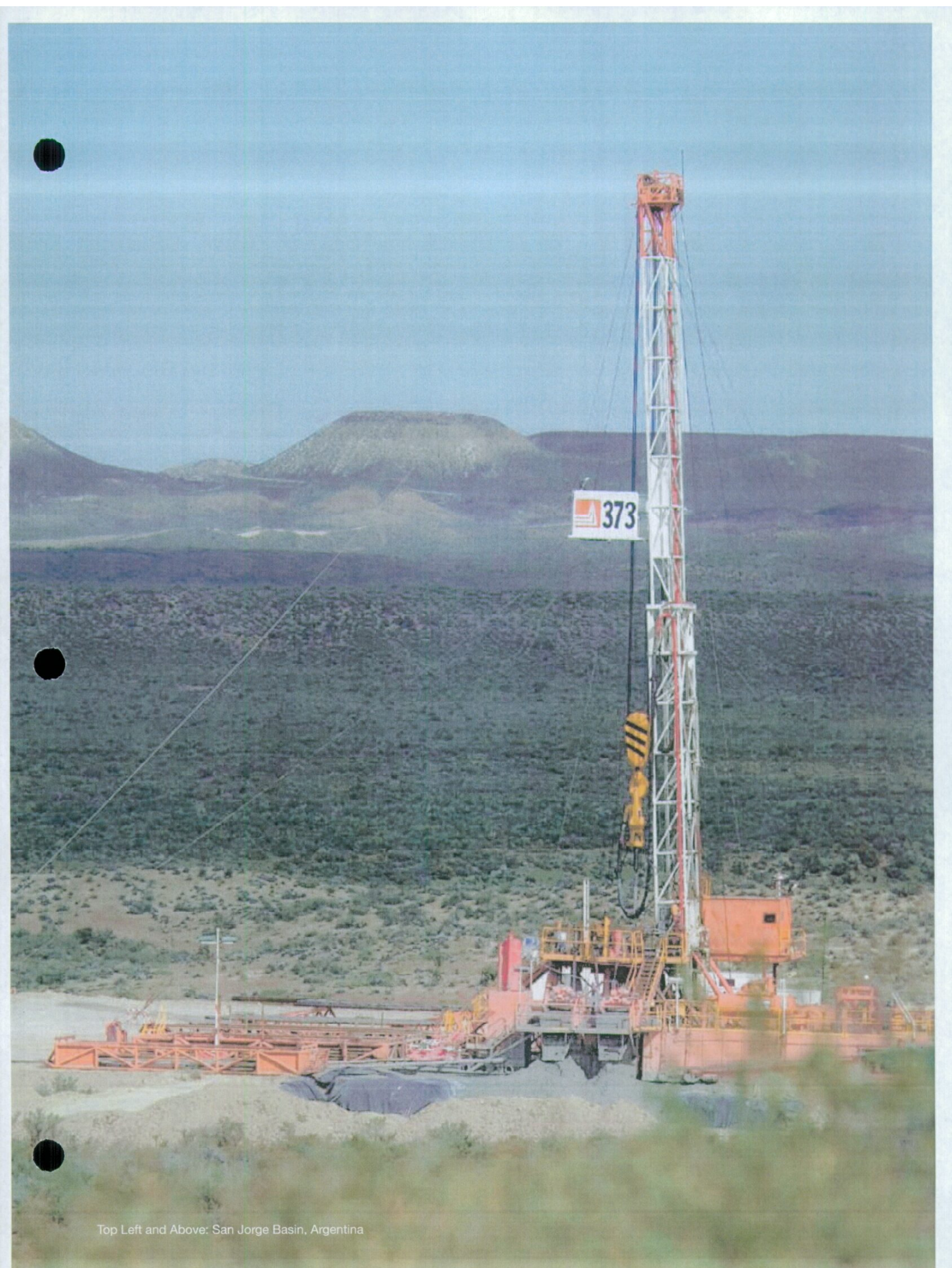
In July 2005, the Sultanate of Oman approved a contract for Occidental and its partners to develop the giant Mukhaizna oil field, one of the largest oilfields in Oman. Under the terms of a new Production Sharing Contract, Occidental will be operator of the field and hold a 45-percent interest. Located in central Oman, the Mukhaizna field was discovered in 1975 by Petroleum Development Oman (PDO). When Occidental became operator of the field in September 2005, the field was producing approximately 8,500 barrels of oil per day. Occidental and its partners expect to invest more than \$3 billion to implement a large-scale steam flood to increase gross production to approximately 150,000 barrels per day within the next few years and to recover an estimated one billion barrels of oil over the life of the project. At peak production, Occidental’s net share is expected to average 30,000 barrels per day.

Work on the \$4 billion Dolphin Project, the premier transborder natural gas project in the Middle East, is proceeding on schedule toward a projected start up in late 2006. Occidental has a 24.5-percent interest. There are two components of this project. One involves the initial development of approximately

two billion cubic feet per day of natural gas from Qatar’s giant North Field and the construction of related processing facilities in Qatar. The other entails construction of the new 48-inch diameter, 260-mile long Dolphin Energy Pipeline to transport the gas from Qatar to markets in the United Arab Emirates. As the production from Dolphin ramps up to its peak, Occidental’s net share is expected to be in the range of 55,000 to 60,000 BOE per day.

Latin America Our 2005 production from Colombia and Ecuador averaged 74,000 barrels of oil per day. In September 2005, Occidental signed an agreement with Colombia’s national oil company, Ecopetrol, for an enhanced oil recovery (EOR) project in Colombia’s oldest and largest oil field, La Cira-Infantas. If this phased project is successful, Occidental could recover approximately 80 million net barrels of reserves at full development, with net production rising to 20,000 BOE per day by 2010.

Occidental’s position in Latin America is significantly enhanced with the acquisition of Vintage Petroleum. Vintage has a sizeable operation in Argentina with substantial growth potential as well as a much smaller position in Bolivia. Production from the former Vintage properties in Argentina averaged approximately 37,000 BOE per day in December 2005.



Top Left and Above: San Jorge Basin, Argentina

Employee Recordable Injury & Illness Trend*

Rate Per 100 Employees



Muscat, Oman

*The US industry data for 2005 are not yet available.

Chemicals

OPERATIONS PERFORMANCE

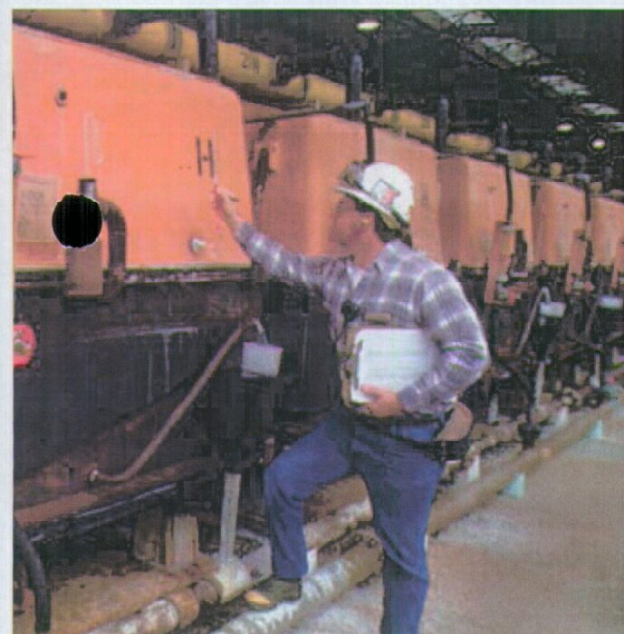
Our chemical earnings of \$607 million were 47 percent higher than in 2004. The increase was due to continued improvement in most sectors of the economy in which the company's core products are sold, particularly the building and construction markets. Improved economic growth resulted in a tightening of supplies for our major products, leading to margin improvement through the year as higher prices more than offset increased energy and feedstock costs. In addition, our core chemical business was strengthened by the acquisition of two chlor-alkali (chlorine and co-product caustic soda) plants from Vulcan Materials Company, which increased Occidental's annual chlor-alkali capacity by 23 percent to 3.3 million tons.

Health, Environment and Safety

Responsible HES management is one of our highest priorities. Occidental has comprehensive systems in place to protect the environment and the health and safety of employees, contractors, neighbors and customers. Our 2005 Employee Injury and Illness Incidence Rate (IIR) was 0.47, which was

among the lowest of all U.S. industries. We are committed to maintaining a safe workplace by continuously evaluating our management systems to ensure our world-class safety standards remain on the cutting edge.

Occidental's environmental and safety programs continue to receive international recognition. We were honored by the U.S. Environmental Protection Agency as the International Partner of the Year for the Natural Gas STAR program. This honor was bestowed on Occidental for helping the EPA promote emission reductions of methane (a greenhouse gas) in South American countries by coordinating an international conference in Bogotá, Colombia. Occidental's Texas operations were honored with the Nature Conservancy's Leadership Award for implementing environmentally protective operational practices and assisting in habitat restoration programs (at Mad Island Marsh Preserve). In addition, OxyChem received one of the chemical industry's most prestigious awards, the American Chemistry Council's Responsible Care® Leadership Award, presented annually to a company that demonstrates sustained safety and environmental excellence.



Oxy Oman's
health clinic



Mad Island
Marsh Preserve, Texas

Left: OxyChem's Taft, Louisiana plant

Corporate Social Responsibility

Occidental strives to maintain a desirable presence and be a positive influence in every community where we operate. Our businesses help promote economic development and improve the overall quality of life in these communities by providing well-paying jobs, broader opportunities, the transfer of technical knowledge and expertise, revenue through payroll and tax dollars and community support.

In 2005, we made excellent progress in implementing our new corporate-wide human rights policy. As of December 2005, we have trained more than 1,100 employees and 800 contractors on the policy in Latin America, the Middle East and the U.S. Training is continuing in 2006 as we incorporate new employees and new operations. In Colombia, we have initiated a risk assessment of a new production area as required by the policy. In addition, our foreign contracts are being updated to include human rights provisions and we continue to receive positive feedback on the policy from employees, contractors and from representatives of human rights organizations.

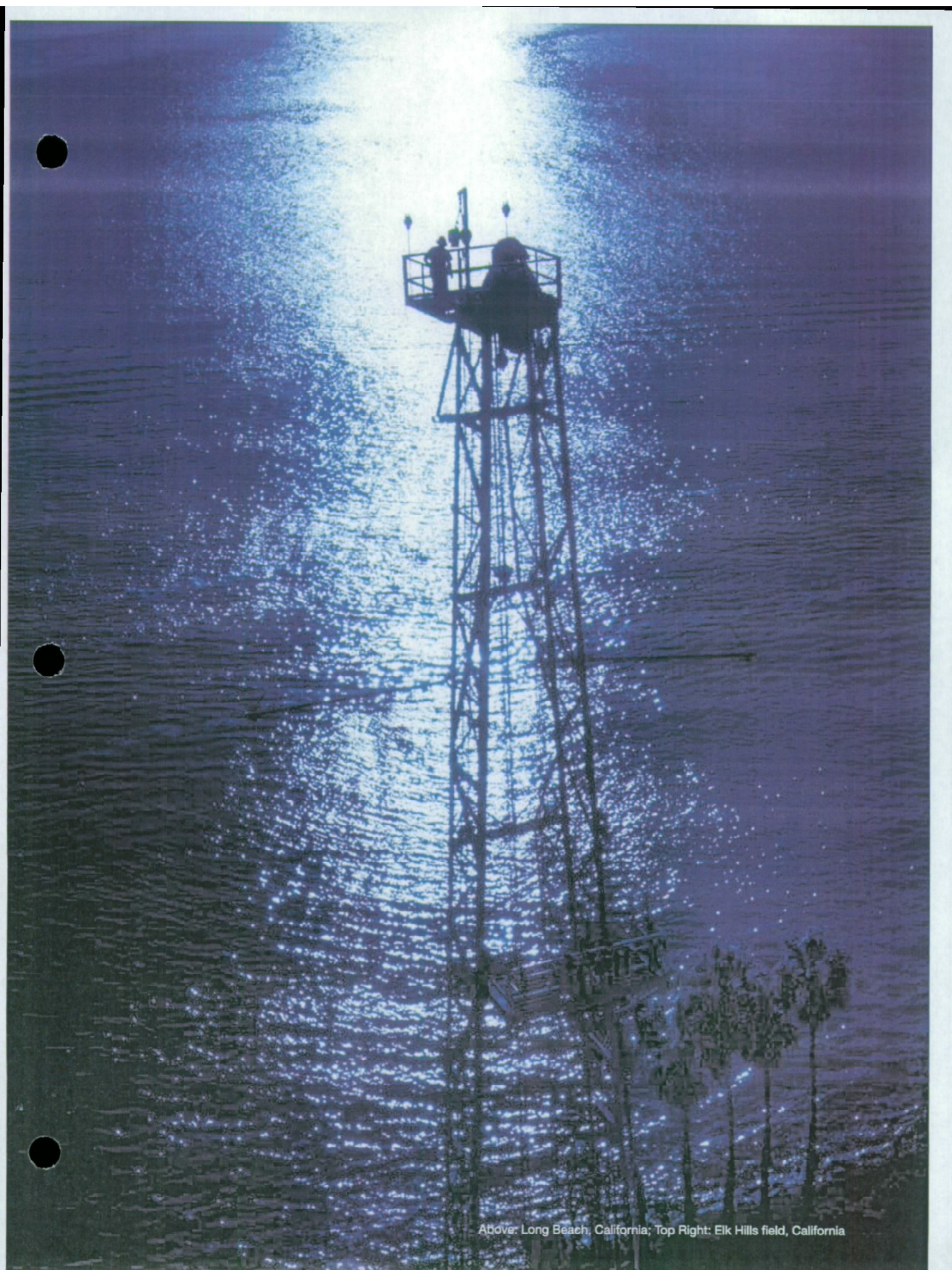
Whether in the U.S. or in the emerging economies of our international locations, it is Occidental's policy to be a responsible business partner and a "good neighbor" engaged in promoting community, educational, environmental and human rights advances.

Looking Ahead

We have a pipeline of short- and medium-term projects with a portfolio of high quality assets that will keep our combined oil and gas production growing at a sustainable annual rate between 5 and 7 percent. We expect our base production in 2010 to grow to between 700,000 and 785,000 equivalent barrels of oil per day.

This production outlook does not depend on new exploration success, new EOR projects or new asset acquisitions. Growth is expected to come from the company's Argentina assets that were recently acquired from Vintage Petroleum, the giant Dolphin gas project in Qatar and the United Arab Emirates, the Mukhaizna project in Oman, and Libya.

In addition, the company plans to grow its California production through a combination of primary drilling and EOR projects at its Elk Hills



Above: Long Beach, California; Top Right: Elk Hills field, California



“We are currently pursuing a number of new growth opportunities in our core operating areas that could increase production in 2010 to between 805,000 and 950,000 equivalent barrels per day, for a potential annual growth rate (at midpoint) of approximately 10 percent over five years.”

operation and by increasing production from former Vintage properties in Southern California. The company also has a large inventory of EOR projects in the Permian Basin in Texas and New Mexico, where it expects to offset moderate decline rates.

Equally important, we are committed to maintaining the disciplined execution of our capital program that funds these projects to keep our financial returns solidly in the top quartile among our industry peers and to maintain our “single A” credit rating.

Finally, we are currently pursuing a number of new growth opportunities in our core operating areas that could increase production in 2010 to between 805,000 and 950,000 equivalent barrels per day, for a potential annual growth rate (at midpoint) of approximately 10 percent over five years.

We plan to repurchase 10 million Occidental common shares in the short term. We also expect to repurchase an additional 20 million shares over the intermediate term from free cash flow and the proceeds from Vintage asset sales. If oil prices remain above \$50 per barrel, we will generate significant free cash flow in excess of what is

required to sustain growth of 5 to 7 percent. The extra cash will initially be used to increase our growth rate and to buy back shares. Our preference is to grow the business at a faster rate, but if the new projects we are currently considering encounter timing delays or don't meet our financial criteria, we will use the excess cash to purchase additional shares. We will compare the potential for value creation of new projects with share repurchases and asset acquisitions and make decisions based on what we believe will create the greatest value for our stockholders over the long term.

Above all, we remain focused on the fundamentals of our business, which is the key to keeping our returns on equity and capital employed in the top quartile among our industry peers — and ultimately generating top quartile total returns for our stockholders.

Dr. Ray R. Irani

Chairman, President and Chief Executive Officer

Board and Officers

Board of Directors

Dr. Ray R. Irani^{1,7,8}

Chairman, President and Chief Executive Officer,
Occidental Petroleum Corporation

Spencer Abraham⁴

Chairman and Chief Executive Officer,
The Abraham Group, LLC;
former U.S. Secretary of Energy

Ronald W. Burkle³

Managing Partner, The Yucaipa Companies

John S. Chalsty³

Chairman, Muirfield Capital Management LLC;
former Chairman, Donaldson, Lufkin & Jenrette, Inc.

Edward P. Djerejian^{4,5}

Director, James A. Baker III Institute for Public Policy;
former U.S. Ambassador

R. Chad Dreier^{2,3}

Chairman, President and Chief Executive Officer,
The Ryland Group, Inc.

John E. Feick^{2,4}

Chairman, Matrix Solutions Inc.

Irvin W. Maloney^{1,2,3,7}

Retired Chairman and Chief Executive Officer,
Dataproducts Corporation

Rodolfo Segovia^{1,4,5}

Member of the Executive Committee, Inversiones Sanford;
former President, Ecopetrol — Colombian national oil company

Aziz D. Syriani^{1,2,5,6,8}

President and Chief Executive Officer, The Olayan Group

Rosemary Tomich^{1,2,3,4,5,7}

Owner, Hope Cattle Company and A.S. Tomich
Construction Company; Chairman and Chief Executive
Officer, Livestock Clearing, Inc.

Walter L. Weisman^{4,5}

Private investor; former Chairman and Chief Executive
Officer, American Medical International, Inc.

¹ Member of the Executive Committee

² Member of the Audit Committee

³ Member of the Executive Compensation
and Human Resources Committee

⁴ Member of the Environmental, Health,
and Safety Committee

⁵ Member of the Corporate Governance, Nominating and
Social Responsibility Committee

⁶ Lead Independent Director

⁷ Member of the Charitable Contributions Committee

⁸ Member of the Dividend Committee

Officers

Dr. Ray R. Irani

Chairman, President and Chief Executive Officer

Stephen I. Chazen

Senior Executive Vice President and Chief Financial Officer

EXECUTIVE VICE PRESIDENTS

Donald P. de Brier

Executive Vice President, General Counsel and Secretary

Richard W. Hallock

Executive Vice President — Human Resources

James M. Lienert

Executive Vice President — Finance and Planning

John W. Morgan

Executive Vice President;
President, Oxy Oil and Gas — Western Hemisphere

R. Casey Olson

Executive Vice President;
President, Oxy Oil and Gas — Eastern Hemisphere

VICE PRESIDENTS AND KEY EXECUTIVES

B. Chuck Anderson

President, OxyChem

James R. Havert

Vice President and Treasurer

Kenneth J. Huffman

Vice President — Investor Relations

Jim A. Leonard

Vice President and Controller

Robert M. McGee

Vice President — Government Relations

Lawrence P. Meriage

Vice President — Communications and Public Affairs

Donald L. Moore, Jr.

Vice President and Chief Information Officer

Roy Pineci

Vice President — Internal Audit

Todd A. Stevens

Vice President — Acquisitions and Corporate Finance

Michael S. Stutts

Vice President — Tax; Chief Tax Counsel

Richard A. Swan

Vice President — Health, Environment and Safety

Investor Information

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KPMG LLP
Los Angeles, California

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Shareholder Relations
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Jersey City, New Jersey 07310
(800) 622-9231
www.melloninvestor.com/esd

STOCK EXCHANGE LISTING

Common Stock
New York Stock Exchange (NYSE)

DIVIDEND REINVESTMENT PLAN

Occidental stockholders owning 25 or more shares of common or preferred stock registered in their name are eligible to purchase additional shares of common stock under the Dividend Reinvestment Plan by investing dividends on a minimum of 25 shares and optional cash payments of up to \$10,000 per month. Information may be obtained from: Mellon Investor Services LLC at www.melloninvestor.com.

ANNUAL CERTIFICATIONS

Occidental has filed the certifications of the chief executive officer and chief financial officer required by Section 302 of the Sarbanes-Oxley Act of 2002 as Exhibits 31.1 and 31.2 to its 2005 Annual Report on Form 10-K filed with the Securities and Exchange Commission. In addition, in 2005, Occidental submitted to the NYSE a certificate of the chief executive officer stating that he is not aware of any violation by the company of the NYSE corporate governance listing standards.

CURRENT NEWS AND GENERAL INFORMATION

Information about Occidental, including news releases as soon as issued, is available on the Internet at www.oxy.com. In addition, a toll-free telephone number 1-888-OXYPETE (1-888-699-7333) may be called to request our investor package.

ADDITIONAL PUBLICATIONS AVAILABLE TO STOCKHOLDERS

The Health, Environment and Safety Annual Report and the Social Responsibility Report, and Occidental's Corporate Governance Principles are available upon request by writing to Occidental, and at www.oxy.com.



Occidental Petroleum Corporation
New Energy Solutions

10889 Wilshire Boulevard
Los Angeles, California 90024-4201
310.208.8800
www.oxy.com

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

☒ Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2005

☐ Transition Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For the transition period from to

Commission File Number 1-9210

Occidental Petroleum Corporation

(Exact name of registrant as specified in its charter)

State or other jurisdiction of incorporation or organization
I.R.S. Employer Identification No.
Address of principal executive offices
Zip Code
Registrant's telephone number, including area code

Delaware
95-4035997
10889 Wilshire Blvd., Los Angeles, CA
90024
(310) 208-8800

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

10 1/8% Senior Debentures due 2009
9 1/4% Senior Debentures due 2019
Common Stock

Name of Each Exchange on Which Registered

New York Stock Exchange
New York Stock Exchange
New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ YES ☐ NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. (Note: Checking the box will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections). ☐ YES ☒ NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ YES ☐ NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. (See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act). ☒ Large Accelerated Filer

☐ Accelerated Filer ☐ Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). ☐ YES ☒ NO

The aggregate market value of the voting stock held by nonaffiliates of the registrant was approximately \$30.9 billion, computed by reference to the closing price on the New York Stock Exchange composite tape of \$76.93 per share of Common Stock on June 30, 2005. Shares of Common Stock held by each executive officer and director have been excluded from this computation in that such persons may be deemed to be affiliates. This determination of affiliate status is not a conclusive determination for other purposes.

At January 31, 2006, there were approximately 402,283,188 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement, filed in connection with its May 5, 2006, Annual Meeting of Stockholders, are incorporated by reference into Part III.

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Part I

ITEMS 1 AND 2 BUSINESS AND PROPERTIES

In this report, "Occidental" refers to Occidental Petroleum Corporation, a Delaware corporation, and/or one or more entities in which it owns a majority voting interest (subsidiaries). Occidental's executive offices are located at 10889 Wilshire Boulevard, Los Angeles, California 90024; telephone (310) 208-8800.

GENERAL

Occidental's principal businesses consist of two industry segments. The oil and gas segment explores for, develops, produces and markets crude oil and natural gas. The chemical segment manufactures and markets basic chemicals, vinyls and performance chemicals. For financial information by segment and by geographic area, see Note 15 to the Consolidated Financial Statements of Occidental (Consolidated Financial Statements).

For information regarding Occidental's current developments, see the information in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A) section of this report.

OIL AND GAS OPERATIONS

General

Occidental's domestic oil and gas operations are located in Elk Hills and other smaller locations in California, the Hugoton field in Kansas and Oklahoma, the Permian Basin in west Texas and New Mexico, the Gulf of Mexico and western Colorado. International operations are located in Colombia, Ecuador, Libya, Oman, Pakistan, Qatar, Russia, the United Arab Emirates (UAE) and Yemen. Occidental also has exploration interests in several other countries. For additional information regarding Occidental's oil and gas segment, see the information under the caption "Oil and Gas Segment" in the MD&A section of this report.

Proved Reserves, Production and Properties

The table below shows Occidental's total oil and natural gas proved reserves and production in 2005, 2004 and 2003. See the MD&A section of this report, Note 16 to the Consolidated Financial Statements and the information under the caption "Supplemental Oil and Gas Information" in Item 8 of this report for certain details regarding Occidental's oil and gas proved reserves, the estimation process and production by country. On May 13, 2005, Occidental reported to the United States Department of Energy on Form EIA-28 proved oil and gas reserves at December 31, 2004. The amounts reported were the same as the amounts reported in Occidental's 2004 Annual Report.

Comparative Oil and Gas Proved Reserves and Production

Oil in millions of barrels; natural gas in billions of cubic feet; BOE in millions of barrels of oil equivalent

	2005			2004			2003		
RESERVES	Oil ^(a)	Gas	BOE ^(b)	Oil ^(a)	Gas	BOE ^(b)	Oil ^(a)	Gas	BOE ^(b)
United States	1,636	2,338	2,026	1,494	2,101	1,844	1,500	1,826	1,804
International	446	1,140	636	499	874	645	490	759	617
Consolidated Subsidiaries	2,082	3,478	2,662 ^(c)	1,993	2,975	2,489 ^(c)	1,990	2,585	2,421 ^(c)
Other Interests ^(d)	45	—	45	43	—	43	48	9	50
PRODUCTION									
United States	92	202	126	93	186	124	93	194	125
International	66	44	73	66	47	74	60	27	65
Consolidated Subsidiaries	158	246	199	159	233	198	153	221	190
Other Interests ^(d)	7	6	8	9	—	9	10	—	10

(a) Includes natural gas liquids and condensate.

(b) Natural gas volumes have been converted to BOE based on energy content of 6,000 cubic feet (one thousand cubic feet is referred to as an "Mcf") of gas to one barrel of oil.

(c) Stated on a net basis and after applicable royalties. Includes reserves related to production-sharing contracts and other economic arrangements. Proved reserves from production-sharing contracts in the Middle East and from other economic arrangements in the United States were 472 million barrels of oil equivalent (MMBOE) and 104 MMBOE in 2005, 450 MMBOE and 90 MMBOE in 2004 and 435 MMBOE and 90 MMBOE in 2003, respectively.

(d) Includes Occidental's share of reserves and production from equity investees in Russia and Yemen, partially offset by minority interests for a Colombian affiliate.

Competition and Sales and Marketing

As a producer of crude oil and natural gas, Occidental competes with numerous other domestic and foreign private and government producers. Crude oil and natural gas are commodities that are sensitive to prevailing global and, in certain cases, local conditions of supply and demand and are sold at "spot" or contract prices or on futures markets to refiners and other market participants. Occidental competes by developing and producing its worldwide oil and gas reserves cost-effectively and acquiring rights to explore in areas with known oil and gas deposits. Occidental also competes by increasing production through enhanced oil recovery projects in mature and underdeveloped fields and making strategic acquisitions. Occidental focuses on operations in its core areas of the United States, the Middle East and Latin America.

CHEMICAL OPERATIONS

General

Occidental manufactures and markets basic chemicals, vinyls, chlorinated organics and performance chemicals through various affiliates (collectively, OxyChem). For additional information regarding Occidental's chemical segment, see the information under the caption "Chemical Segment" in the MD&A section of this report.

Products and Properties

OxyChem owns and operates chemical manufacturing plants at 24 sites in the United States. OxyChem has a 50-percent equity investment in a Brazilian corporation that owns a chlor-alkali plant, a 50-percent equity investment in a corporation that produces antimony oxide in Mexico and a 50-percent interest in a general partnership that produces liquid and anhydrous potassium carbonate products in Alabama. OxyChem's chlorine facilities in Delaware City, Delaware and Deer Park, Texas and its ethylene dichloride (EDC) facility in Ingleside, Texas were permanently shut down in the third quarter of 2005. In December 2005, OxyChem announced that it would permanently close its Alberta, Canada PVC manufacturing facility in the first quarter of 2006.

In 2005, OxyChem acquired two operating chemical assets in Louisiana and Kansas from Vulcan Materials Company (Vulcan).

The following information regarding production capacity reflects estimated annual capacity at December 31, 2005.

Basic Chemicals

OxyChem's basic chemicals consist of chlorine and caustic soda, chlorinated organics, potassium chemicals and their derivatives.

Chlorine is used for chemical manufacturing in the chlorovinyl chain and for water treatment. OxyChem produces chlorine in Alabama, Kansas, Louisiana, New

York, Texas, Brazil and Chile. Annual capacity was 3.6 million tons in the United States (including the gross 0.6-million-ton total annual capacity of the OxyVinyls partnership, owned 76 percent by Occidental and 24 percent by PolyOne Corporation) and 0.3 million tons in Brazil and Chile. The United States amount includes 0.8 million tons of capacity from the Vulcan chemical assets.

Caustic soda is used for pulp and paper production, alumina production and other chemical manufacturing. OxyChem produces caustic soda in Kansas, Louisiana, New York, Texas, Brazil and Chile. Annual capacity was 3.9 million tons in the United States (including the gross 0.7-million-ton total annual capacity of the OxyVinyls partnership) and 0.4 million tons in Brazil and Chile. The United States amount includes 0.8 million tons of capacity from the Vulcan chemical assets.

Potassium chemicals are used in glass, fertilizers, cleaning products and rubber. OxyChem produces potassium chemicals in Alabama where annual capacity was 328,000 tons.

EDC, a chlorine derivative, is a raw material for vinyl chloride monomer (VCM). OxyChem produces EDC in Louisiana and Brazil. Annual capacity was 2.1 billion pounds in the United States and 0.3 billion pounds in Brazil. The United States amount includes 0.6 billion pounds of capacity from the Vulcan chemical assets.

OxyChem's acquisition of Vulcan's chemical assets included certain chlorinated organic products that are used in silicones, paint stripping, pharmaceuticals and refrigerants.

Vinyls

OxyChem produces vinyls through its 76-percent interest in the OxyVinyls partnership. OxyChem's vinyls products include polyvinyl chloride (PVC) and its precursors, VCM and EDC.

OxyChem produces VCM in Texas. Annual capacity was 6.2 billion pounds (consisting of the 2.4 billion-pound total annual capacity of OxyMar, which is 88-percent owned by OxyChem, and the 3.8 billion-pound total annual gross capacity of the OxyVinyls partnership).

PVC resins are used in piping, electrical insulation, external construction materials, flooring, medical and automotive products and packaging. OxyChem produces PVC resins in Kentucky, New Jersey, Texas and Canada. Gross annual PVC capacity of the OxyVinyls partnership was 4.3 billion pounds.

Performance Chemicals

OxyChem's performance chemicals include chlorinated isocyanurates (estimated capacity of 131 million pounds produced in Illinois and Louisiana), resorcinol (estimated capacity of 50 million pounds produced in Pennsylvania), mercaptans (estimated capacity of 18 million pounds produced in Texas) and sodium silicates (estimated capacity of 722,000 tons produced in Georgia, Ohio, Illinois, New Jersey, Texas and Alabama).

Raw Materials, Intellectual Property, Marketing and Competition

Nearly all raw materials used in OxyChem's operations are readily available from a variety of sources. Operations have not been curtailed due to any supply interruptions, except for limited supply interruptions along the Gulf Coast, which occurred in September and October 2005, caused by Hurricanes Katrina and Rita.

OxyChem does not regard its business as being materially dependent on any single patent, trademark or process.

OxyChem sells its products to industrial users or distributors located in the United States and in certain export markets where third party agents are utilized.

Occidental's chemical business competes with numerous producers. Since most of OxyChem's products are commodities, it competes primarily on the basis of price.

CAPITAL EXPENDITURES

For information on capital expenditures, see the information under the heading "Capital Expenditures" in the MD&A section of this report.

EMPLOYEES

Occidental employed 8,017 people at December 31, 2005, 6,335 of whom were located in the United States. Occidental employed 3,499 people in oil and gas operations and 3,341 people in chemical operations. An additional 1,177 people were employed in administrative and headquarters functions. Approximately 858 United States-based employees are represented by labor unions.

Occidental has a long-standing policy to provide fair and equal employment opportunities to all people without regard to race, color, religion, ethnicity, gender, national origin, disability, age, sexual orientation, veteran status or any other legally impermissible factor. Occidental maintains diversity and outreach programs.

ENVIRONMENTAL REGULATION

For environmental regulation information, including associated costs, see the information under the heading "Environmental Liabilities and Expenditures" in the MD&A section of this report.

AVAILABLE INFORMATION

Occidental makes the following information available free of charge through its web site at www.oxy.com:

- Forms 10-K, 10-Q, 8-K and amendments to these forms as soon as reasonably practicable after they are filed electronically with the Securities and Exchange Commission (SEC);
- Other SEC filings, including Forms 3, 4 and 5; and
- Corporate governance information, including its corporate governance guidelines, board-committee charters and Code of Business Conduct. (See Part III Item 10 of this report for further information.)

ITEM 1A RISK FACTORS

EXTERNAL RISKS

Volatile global commodity pricing fluctuations beyond Occidental's control strongly affect its revenues, profitability, operating cash flow and future growth rate.

As discussed in the section entitled "Derivative Activities and Market Risk — Commodity Price Risk — Production Hedges," Occidental's financial results typically correlate closely to the price it obtains for its products in the global markets in which they compete. Oil and gas price changes also impact production and reserves because production-sharing contracts (PSCs) typically include terms that adjust Occidental's share of production when prices change, and price changes also affect the profitability of production and the economic recoverability of reserves. Historically, prices for Occidental's products have been volatile. A significant portion of the oil Occidental produces is sour crude, and the prices for sour crude tend to be lower. In addition, the price differential between sweet and sour crude varies based on their respective supply and demand dynamics.

Drilling and exploration activity levels, inventory levels, production disruptions, the actions of OPEC (increasing prices or limiting Occidental's production), price speculation and geophysical and technical limitations affect the global and, in some cases, local short-term and long-term supply of oil and gas and interact to contribute to price volatility. Because of the long lead times associated with drilling and exploration projects, Occidental may commit significant amounts of capital to oil and gas projects and cannot be certain of the level of demand that will exist when it finishes a project. The health of the global economy, alternative sources of energy, such as coal, and efforts at improving or implementing efficient consumption can also affect the demand for oil and gas.

Demand for Occidental's chemical products correlates most strongly with the health of the global economy. Occidental also depends on feedstocks and energy to produce chemicals, both of which are commodities subject to significant price fluctuations.

Occidental's businesses operate in a highly competitive environment, which affects its profitability and its ability to grow production and replace oil and gas reserves.

Occidental's future oil and gas production and its profitability depend, in part, on its ability to acquire or find additional reserves at costs below the price at which it can sell the oil and gas it produces from them, after operating costs. Occidental can acquire reserves by purchasing existing production assets or by acquiring exploration rights and successfully drilling wells that produce hydrocarbons in commercial quantities. Industry competition for reserves may influence Occidental to:

- shift toward higher risk exploration activity;

- pay more for reinvestment opportunities;
- purchase lesser quality properties; or
- delay expected production activities.

Rising exploration and development activity in the industry generally increases the demand and, therefore, the costs of oil and gas services.

Participants in the chemical industry compete primarily based on price and the industry consists of many domestic and foreign competitors. In addition, the industry has historically experienced over-expansion when prices rise.

In both industries, Occidental uses nonproprietary technology and business management techniques, which limits its ability to achieve significant comparative production efficiencies.

Occidental's businesses may experience catastrophic occurrences.

Natural disasters, such as hurricanes, occur regularly and may occasionally affect Occidental's businesses. In addition, well blowouts and oilfield fires, armed conflicts, civil unrest and industrial accidents may occur and may affect Occidental's businesses. Occidental maintains insurance against a number of these risks; however, it partially self-insures and insurance may not always provide the coverage expected or desired due to contractual limitations, unavailability, cost of insurance and the insurers' financial health.

Varied governmental and political actions affect Occidental's results of operations.

The transnational character of Occidental's oil and gas business subjects it to the decisions of many governments and political interests. As a result, Occidental faces increased risks of:

- changes in laws and regulations, including those related to taxes, royalty rates, permitted production rates, import, export and use of products, and environmental protection;
- expropriation or reduction of entitlements to produce hydrocarbons; and
- refusal to extend exploration, production or development contracts.

For example, the Government of Ecuador has threatened to terminate Occidental's Participation Contract for Block 15. See "MD&A — Oil and Gas Segment — Business Review — Latin America — Ecuador." When Occidental acquired Vintage Petroleum, Inc. (Vintage) at the end of January 2006, it gained operations in Argentina and Bolivia. Beginning in 2001, Argentina increased export taxes on oil and implemented stricter foreign exchange controls, mandatory export proceeds repatriation laws, export limitations and domestic sales price caps, some of which

have since expired. In 2005, Bolivia approved a hydrocarbons bill that introduced a significant new production tax. Actions such as these may affect Occidental's results of operations, financial position or the quantity of its oil and gas reserves.

Occidental operates some of its oil and gas business in countries that occasionally have experienced political instability, which increases Occidental's risk of loss or delayed production associated with armed conflict, civil unrest, security problems, restrictions on production equipment imports and sanctions that prevent continued operations. Occidental may face the risk of increased costs if it is perceived not to be respecting or advancing the economic and social progress of the communities in which it operates. Since Occidental's assets are long-lived, the magnitude of these risks can vary over the time it operates in a country.

Occidental faces risks associated with its mergers, acquisitions and divestitures.

Occidental periodically acquires and divests oil and gas reserves and chemical facilities. These activities carry risks that Occidental may:

- not fully realize the anticipated benefits due to delay, miscalculation or changed circumstances;
- bear greater-than-expected integration costs or difficulties;
- be unable to successfully manage regulatory, tax or legal issues it assumes or retains;
- experience lower stock values based on the market's evaluation of the activity;
- assume or retain liabilities that are greater than anticipated; or
- be unable to resell acquired assets as planned or at prices planned.

Additionally, the assets Occidental acquires may not be as profitable as its current asset base.

Certain of Occidental's major chemical products are coproduced in a fixed ratio, which limits its ability to exploit pricing opportunities.

Because chlorine and caustic soda must be produced together in a fixed ratio, an imbalance in demand between the products ultimately requires Occidental to reduce output or cut prices to restore demand balance. Either action limits Occidental's profits on these commodities.

Technological developments may reduce the demand for oil and gas.

Rising oil and gas prices create incentives to find alternative energy sources and energy conservation measures that could replace or reduce oil and gas consumption over the long term.

INTERNAL RISKS

Occidental may incur significant costs in exploration or development efforts, which may prove unsuccessful or unprofitable.

Occidental may misinterpret geologic or engineering data, which may result in significant losses on unsuccessful exploration or development drilling efforts.

Occidental bears the risks of project delays and cost overruns due to unexpected geologic conditions, equipment failures, equipment delivery delays, accidents, adverse weather, government and joint venture partner approval delays, construction or start-up delays and other associated risks. Such risks may delay expected production and/or increase the costs of production.

Inadequate cost containment could reduce Occidental's competitiveness.

Occidental works to minimize the costs associated with its businesses but the impact of its efforts may not be sufficient to offset any negative effects related to the main elements of cost, which consist of reserve acquisition costs for oil and gas and feedstock and energy costs for chemicals.

CROSS-REFERENCES TO OTHER RISK DISCUSSIONS

Additional risks related to competition, foreign operations, litigation, environmental matters, derivatives and market risks, and oil and gas reserve estimation fluctuations are discussed elsewhere in this report under the headings: **BUSINESS AND PROPERTIES** — "Oil & Gas Operations — Competition and Sales and Marketing," "Chemical Operations — Competition;"

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS — "Oil & Gas Segment — Business Review — Proved Reserves Additions," "Oil & Gas Segment — Industry Outlook," "Chemical Segment — Business Environment," "Chemical Segment — Industry Outlook," "Lawsuits, Claims, Commitments, Contingencies and Related Matters," "Environmental Liabilities and Expenditures," "Foreign Investments," "Critical Accounting Policies and Estimates," and "Derivative Activities and Market Risk."

ITEM 3 LEGAL PROCEEDINGS

For information regarding legal proceedings, see the information in Note 9 to the Consolidated Financial Statements, which is incorporated herein by reference.

The OxyVinyls partnership is engaged in voluntary discussions with federal, state and local environmental agencies with jurisdiction over four of its manufacturing facilities in an effort to reach an agreement to reduce VCM emissions and to resolve disputed administrative claims and allegations of past or ongoing environmental violations at those facilities, some of which claims allege penalties in excess of \$100,000. OxyVinyls initiated discussions with the agencies following the successful conclusion of a similar agreement relating to an affiliate's former PVC manufacturing facility in Pottstown, Pennsylvania. If any agreement to reduce emissions and resolve the claims and allegations were reached, Occidental believes it would require the payment of penalties, or the performance of supplemental environmental projects, exceeding a total cost of \$100,000. Occidental does not expect the resolution of this matter to have a material effect on its financial condition or results of operations.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of Occidental's security holders during the fourth quarter of 2005.

EXECUTIVE OFFICERS

The current term of employment of each executive officer of the Registrant will expire at the May 5, 2006 organizational meeting of the Occidental Board of Directors or when a successor is selected. The following table sets forth the executive officers and significant employees of the Registrant:

Name	Age at February 28, 2006	Positions with Occidental and Subsidiaries and Five-Year Employment History
Dr. Ray R. Irani	71	Chairman and Chief Executive Officer since 1990; President since 2005; Director since 1984; Member of Executive Committee and Dividend Committee.
Stephen I. Chazen	59	Senior Executive Vice President since 2004; Chief Financial Officer since 1999; 1994-2004, Executive Vice President — Corporate Development.
Donald P. de Brier	65	Executive Vice President, General Counsel and Secretary since 1993.
Richard W. Hallock	61	Executive Vice President — Human Resources since 1994.
James M. Lienert	53	Executive Vice President — Finance and Planning since 2006; 2004-2006, Vice President; Occidental Chemical Corporation: 2004-2006, President; 2000-2002, Senior Vice President — Basic Chemicals; OxyVinyls: 2002-2004, Senior Vice President; Oxy Services, Inc.: 1998-2000, Vice President — Finance.
John W. Morgan	52	Executive Vice President since 2001; 1998-2001, Executive Vice President — Operations; Occidental Oil and Gas Corporation (OOGC): President — Western Hemisphere since 2005; 2004, President; 2001-2004, Executive Vice President — Worldwide Production.
R. Casey Olson	52	Executive Vice President since 2005; 2001-2005, Vice President; OOGC: President - Eastern Hemisphere since 2005; Occidental Development Company: 2004, President; Occidental Middle East Development Company: 2001-2003, President.
James R. Havert	64	Vice President and Treasurer since 1998; 1992-1998, Senior Assistant Treasurer.
Jim A. Leonard	56	Vice President and Controller since 2005; 2000-2005, Senior Assistant Controller; OOGC: 2000-2005, Senior Vice President — Finance.
B. Chuck Anderson	46	Occidental Chemical Corporation: President since 2006; 2004-2006, Executive Vice President — Chlorovinyls; 2002-2004, Senior Vice President — Basic Chemicals; 2000-2002, President — OxyVinyls; 1999-2000, Senior Vice President and General Manager — OxyVinyls.

Part II

ITEM 5 MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND PURCHASES OF EQUITY SECURITIES

TRADING PRICE RANGE AND DIVIDENDS

This section incorporates by reference the quarterly financial data appearing under the caption "Quarterly Financial Data (Unaudited)" in Item 8 and the information appearing under the caption "Liquidity and Capital Resources" in the MD&A section of this report. Occidental's common stock was held by approximately 44,305 stockholders of record at December 31, 2005, with an estimated 331,476 additional stockholders whose shares were held for them in street name or nominee accounts. The common stock is listed and traded principally on the New York Stock Exchange. The quarterly financial data, which are included in this report after the "Notes to the Consolidated Financial Statements," set forth the range of trading prices for the common stock as reported on the composite tape of the New York Stock Exchange and quarterly dividend information.

In 2005, the quarterly declared dividend rate for the common stock was \$0.31 per share for the first three quarters of 2005 and \$0.36 for the fourth quarter of 2005 (\$1.29 for the year). On February 16, 2006, a quarterly dividend of \$0.36 per share (\$1.44 per year) was declared on the common stock, payable on April 15, 2006 to stockholders of record on March 10, 2006. The declaration of future cash dividends is a business decision made by the Board of Directors from time to time, and will depend on Occidental's financial condition and other factors deemed relevant by the Board.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

All of Occidental's equity compensation plans for its employees and non-employee directors, pursuant to which options, rights or warrants may be granted, have been approved by the stockholders. See Note 12 to the Consolidated Financial Statements for further information on the material terms of these plans.

The following is a summary of the shares reserved for issuance as of December 31, 2005, pursuant to outstanding options, rights or warrants granted under Occidental's equity compensation plans:

(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities in column (a))
11,490,439	\$38.87	19,798,405 *

* Includes, with respect to:

- (a) the 1995 Incentive Stock Plan, 1,593,844 shares reserved for issuance pursuant to deferred performance and restricted stock awards;
- (b) the 2001 Incentive Compensation Plan, 936,687 shares at maximum target level (919,041 at target level) reserved for issuance pursuant to outstanding performance stock awards, 775,906 shares reserved for issuance pursuant to restricted stock awards, 1,413,721 shares reserved for issuance pursuant to deferred restricted stock awards and 9,747 shares reserved for issuance as dividend equivalents; and
- (c) the 2005 Long-Term Incentive Plan, 1,200 shares at target and maximum level reserved for issuance pursuant to outstanding performance stock awards, 1,115,400 shares reserved for issuance pursuant to restricted stock awards.

Of the 13,951,900 shares that are not reserved for issuance, all are available under the 2005 Long-Term Incentive Plan and all may be issued or reserved for issuance for options, rights and warrants as well as performance stock awards, restricted stock awards, stock bonuses and dividend equivalents.

SHARE REPURCHASE ACTIVITIES

Occidental's share repurchase activities for the three months ended December 31, 2005, were as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
October 1 - 31, 2005	—	—	—	—
November 1 - 30, 2005	—	—	—	—
December 1 - 31, 2005	96,781 ^(a)	\$82.60	—	—
Total	96,781	\$82.60	—	10,000,000 ^(b)

(a) Amount represents shares purchased by Occidental from the trustee of its defined contribution savings plan.

(b) In 2005, Occidental announced a common stock repurchase program. Occidental plans to purchase at least ten million shares, from time to time, at prevailing prices as permitted by securities laws and other requirements. At December 31, 2005, no shares had been repurchased under this program.

ITEM 6 SELECTED FINANCIAL DATA**Five-Year Summary of Selected Financial Data**

Dollar amounts in millions, except per-share amounts

For the years ended December 31,	2005	2004	2003	2002	2001
RESULTS OF OPERATIONS ^(a)					
Net sales	\$ 15,208	\$ 11,368	\$ 9,240	\$ 7,247	\$ 8,012
Income from continuing operations	\$ 5,272	\$ 2,606	\$ 1,601	\$ 1,181	\$ 1,182
Net income	\$ 5,281	\$ 2,568	\$ 1,527	\$ 989	\$ 1,154
Basic earnings per common share from continuing operations	\$ 13.07	\$ 6.59	\$ 4.17	\$ 3.14	\$ 3.17
Basic earnings per common share	\$ 13.09	\$ 6.49	\$ 3.98	\$ 2.63	\$ 3.10
Diluted earnings per common share	\$ 12.91	\$ 6.40	\$ 3.93	\$ 2.61	\$ 3.09
Core earnings ^(b)	\$ 3,964	\$ 2,499	\$ 1,641	\$ 1,017	\$ 1,249
FINANCIAL POSITION ^(a)					
Total assets	\$ 26,108	\$ 21,391	\$ 18,168	\$ 16,548	\$ 17,850
Long-term debt, net and trust preferred securities ^(c)	\$ 2,873	\$ 3,345	\$ 4,446	\$ 4,452	\$ 4,528
Common stockholders' equity	\$ 15,032	\$ 10,550	\$ 7,929	\$ 6,318	\$ 5,634
MARKET CAPITALIZATION	\$ 32,129	\$ 23,153	\$ 16,349	\$ 10,750	\$ 9,926
CASH FLOW					
Cash provided by operating activities	\$ 5,337	\$ 3,878	\$ 3,074	\$ 2,100	\$ 2,566
Capital expenditures	\$ (2,423)	\$ (1,843)	\$ (1,600)	\$ (1,234)	\$ (1,305)
Cash (used) provided by all other investing activities, net	\$ (738)	\$ (585)	\$ (531)	\$ (462)	\$ 654
DIVIDENDS PER COMMON SHARE	\$ 1.29	\$ 1.10	\$ 1.04	\$ 1.00	\$ 1.00
BASIC SHARES OUTSTANDING (thousands)	403,300	395,580	383,943	376,190	372,119

(a) See the MD&A section of this report and the "Notes to Consolidated Financial Statements" for information regarding accounting changes, asset acquisitions and dispositions, discontinued operations, environmental remediation, other costs and other items affecting comparability.

(b) For an explanation of core earnings, see "Significant Items Affecting Earnings" in the MD&A section of this report.

(c) On January 20, 2004, Occidental redeemed the trust preferred securities.

ITEM 7**Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) (Incorporating Item 7A)**

In this report, the term "Occidental" refers to Occidental Petroleum Corporation (OPC) and/or one or more entities in which it owns a majority voting interest (subsidiaries). Occidental is divided into two segments: oil and gas and chemical.

STRATEGY**General**

Occidental aims to generate competitive total returns to stockholders using the following strategy:

- Focus on large, long-lived oil and gas assets with long-term growth potential;
- Maintain financial discipline and a strong balance sheet; and
- Manage the chemical segment to provide cash in excess of normal capital expenditures.

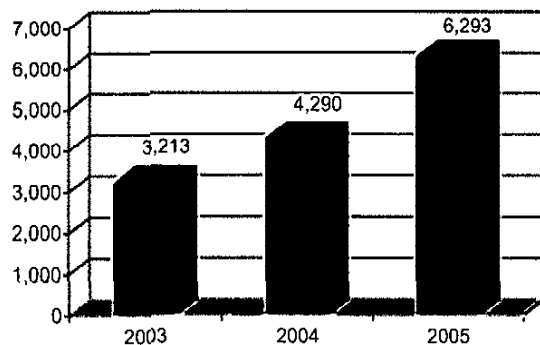
Occidental prefers to own large, long-lived "legacy" oil and gas assets, like those in California and the Permian Basin, that tend to have moderate decline rates, enhanced secondary and tertiary recovery opportunities and economies of scale that lead to cost-effective production. Management expects such assets to contribute substantial earnings and cash flow after invested capital.

At Occidental, maintaining financial discipline means investing capital in projects that management expects will generate above-cost-of-capital returns throughout the business cycle. During periods of high commodity prices, Occidental expects to use most of its cash flow after capital expenditures and dividends to improve future earnings by making such investments.

The chemical business is not managed with a growth strategy. Capital is expended to operate the chemical business in a safe and environmentally sound way, to sustain production capacity and to focus on projects designed to lower manufacturing costs. Asset acquisitions may be pursued when they are expected to enhance the existing core chlor-alkali and PVC businesses. Historically, the chemical segment has generated cash flow exceeding its normal capital expenditure requirements. Occidental intends to invest this cash mainly in strategically attractive assets. As part of Occidental's strategy to grow its oil and gas business, any excess cash generated by the chemical segment may be used as part of the overall funding for oil and gas growth.

Oil and Gas

Segment Income
(\$ millions)



The oil and gas business seeks to add new oil and natural gas reserves at a pace ahead of production while keeping costs incurred for finding and development among the lowest in the industry. The oil and gas business implements this strategy within the limits of the overall corporate strategy primarily by:

- Continuing to add commercial reserves through a combination of focused exploration and development programs conducted in and around Occidental's core areas, which are the United States, the Middle East/North Africa and Latin America;
- Pursuing commercial opportunities in core areas to enhance the development of mature fields with large volumes of remaining oil by applying appropriate technology and advanced reservoir-management practices; and
- Maintaining a disciplined approach in buying and selling assets at attractive prices.

Over the past several years, Occidental has strengthened its asset base within each of the core areas. Occidental has invested in, and disposed of, assets with the goal of raising the average performance and potential of its assets. See "Oil and Gas Segment — Business Review" for a discussion of these changes.

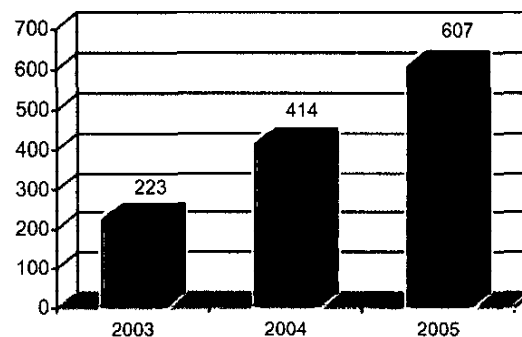
In addition, Occidental has made acquisitions and investments in the Dolphin Project in Qatar and the UAE, re-entered Libya and assumed operations in the Mukhaizna field in Oman for future growth opportunities, not for current production.

Occidental's overall performance during the past several years reflects the successful implementation of its strategy to enhance the development of mature fields, beginning with the acquisition of the Elk Hills oil and gas field in California followed by a series of purchases in the Permian Basin in west Texas and New Mexico.

At the end of 2005, the Elk Hills and Permian Basin assets made up 70 percent of Occidental's consolidated proven oil reserves and 45 percent of its consolidated proven gas reserves. On a barrels of oil equivalent (BOE) basis, they accounted for 64 percent of Occidental's consolidated reserves. In 2005, the combined production from these assets averaged approximately 279,000 BOE per day, which represents approximately 49 percent of Occidental's total worldwide production. These assets also contributed approximately 48 percent of oil and gas segment earnings.

Chemical

Segment Income
(\$ millions)



OxyChem's strategy is to be a low-cost producer so that it can maximize its cash flow generation. OxyChem concentrates on the chlorovinyls chain where it begins with chlorine, which is coproduced with caustic soda, and then converts chlorine and ethylene, through a series of intermediate products, into PVC. OxyChem's focus on chlorovinyls permits it to take advantage of economies of scale.

Key Performance Indicators

General

Occidental seeks to ensure that it meets its strategic goals by continuously measuring its success in maintaining below average debt levels and top quartile performance compared to its peers in:

- Total return to stockholders;
- Return on equity;
- Return on capital employed; and

- Other segment-specific measurements such as profit per unit produced, cost to produce each unit, cash flow per unit, cost to find and develop new reserves, reserve replacement percentage and other similar measures.

Debt Structure

Occidental's total debt and total debt-to-capitalization ratios are shown in the table below:

Date (\$ amounts in millions)	Total Debt ^(a)	Total Debt-to-Capitalization Ratio
12/31/01	\$ 4,890	46%
12/31/02	\$ 4,759	43%
12/31/03	\$ 4,570	37%
12/31/04	\$ 3,905	27%
12/31/05	\$ 3,019	17%

(a) Includes trust preferred securities (redeemed January 20, 2004), natural gas delivery commitment (terminated in 2002), subsidiary preferred stock and capital lease obligations.

As shown, Occidental's year-end 2005 total debt-to-capitalization ratio declined to 17 percent from the 46-percent level that existed at the end of 2001. The decrease in the total debt-to-capitalization ratio in 2005 compared with 2001 resulted from total debt reductions of 38 percent combined with an increase in stockholders' equity of 167 percent over the same period.

Return on Equity

Annual 2005 ^(a)	Three-Year Average 2003 - 2005 ^(b)
41%	31%

(a) The Return on Equity for 2005 was calculated by dividing Occidental's 2005 earnings applicable to common stock by the average equity balance in 2005.

(b) The three-year average Return on Equity was calculated by dividing the average earnings applicable to common stock over the three-year period 2003-2005 by the average equity balance over the same period.

Occidental has focused on improving its return on equity. In 2005, Occidental's return on equity was 41 percent and the three-year average return on equity was 31 percent. During the same three-year period, Occidental increased its stockholders' equity by 138 percent and its quarterly dividend by 38 percent and its stock price increased by 181 percent.

OIL AND GAS SEGMENT

Business Environment

Oil and gas prices are the major variables that drive the industry's financial performance. Oil prices strengthened in 2005 over 2004 levels. During the year, Occidental experienced an increase in its price differential between the average West Texas Intermediate (WTI) price and Occidental's realized prices. However, Occidental's realized price as a percentage of WTI was 85 percent for both years. Prices and differentials can vary significantly, even on a short-term basis, making forecasting realized prices difficult. The average WTI market price for 2005 was \$56.56 per barrel compared with \$41.40 per barrel in 2004. Occidental's average realized price for oil in 2005 was \$48.20, compared with \$35.09 in 2004.

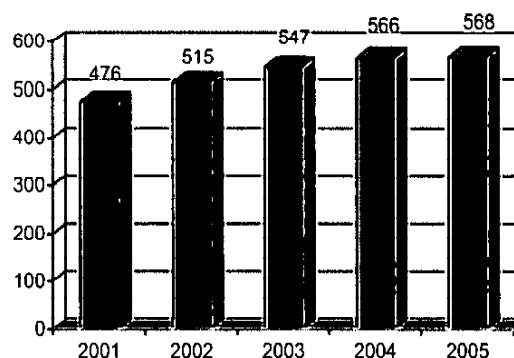
Average NYMEX domestic natural gas prices increased approximately 37 percent from 2004. For

2005, NYMEX gas prices averaged \$8.11/Mcf compared with \$5.92/Mcf for 2004.

Business Review

All production and reserve figures are net to Occidental unless otherwise specified.

Worldwide Production (thousands BOE/day)



Elk Hills

Occidental operates the Elk Hills oil and gas field in the southern portion of California's San Joaquin Valley with an approximate 78-percent interest. The field was acquired in 1998 for \$3.5 billion and is the largest producer of gas in California. Oil and gas production in 2005 was approximately 90,000 BOE per day. During 2005, Occidental performed infill drilling, field extensions and recompletions identified by advanced reservoir characterization techniques. A record 291 new wells were drilled and 548 wells were worked over. In addition, a successful CO₂ pilot was completed during the year. As a result of these activities, Occidental was able to maintain production at 2004 levels. Since its acquisition, total Elk Hills oil and gas production has been approximately 268 million BOE. At the end of 2005, the property had an estimated 505 million BOE of proved reserves, compared to the 425 million BOE that were recorded at the time of the acquisition.

Permian Basin

The Permian Basin extends throughout southwest Texas and southeast New Mexico and is one of the largest and most active oil basins in the United States, with the entire basin accounting for approximately 18 percent of total United States oil production. Occidental is the largest producer in the Permian Basin with an approximately 16 percent net share of the total Permian Basin oil production. Occidental also produces and processes natural gas and natural gas liquids (NGL) in the Permian Basin.

Most of Occidental's Permian Basin interests were obtained through the acquisition of Altura in 2000 for approximately \$3.6 billion.

In 2005, Occidental made several additional acquisitions of oil and gas producing property interests for approximately \$1.7 billion. This was partially offset by cash proceeds totaling \$171 million from dispositions of a portion of the acquired properties.

Occidental's total share of Permian Basin oil, gas and NGL production averaged 189,000 BOE per day in 2005 compared to 175,000 BOE per day in 2004. At the end of 2005, Occidental's Permian Basin properties had 1.2 billion BOE in proved reserves. Occidental's Permian Basin production is diversified across a large number of producing areas. The largest producing areas in 2005 included Wasson San Andres, Slaughter, Levelland, North Cowden and Wasson Clearfork, which contributed 20 percent, 10 percent, 5 percent, 5 percent and 4 percent, respectively, to Occidental's 2005 Permian BOE production.

Occidental's interests in the Permian Basin offer additional development and exploitation potential. During 2005, Occidental drilled approximately 250 wells on its operated properties and participated in wells drilled on outside operated interests. Occidental conducted significant development activity on five CO₂ projects during 2005, including implementation of new floods and expansion of existing CO₂ floods. Occidental also focused on improving performance of existing wells. Occidental had an average of 105 well service units working in the Permian area during 2005 performing well maintenance and workovers.

Approximately 60 percent of Occidental's Permian Basin oil production is from fields that actively employ the application of carbon dioxide (CO₂) flood technology, an enhanced oil recovery technique. This involves injecting CO₂ into oil reservoirs where it acts as a solvent, causing the oil to flow more freely into producing wells. The size of these CO₂ flood operations makes Occidental a world leader in the application of this technology.

THUMS

Occidental purchased THUMS, the field contractor for an oil-production unit offshore Long Beach, California, in 2000. Occidental's share of production from THUMS is subject to contractual arrangements similar to a PSC, whereby Occidental's share of production varies inversely with oil prices. For 2005, production from THUMS averaged 18,000 barrels per day.

Gulf of Mexico

Occidental has a one-third interest in the deep-water Horn Mountain oil field, which is Occidental's only asset in the Gulf of Mexico. BP p.l.c. (BP) is the operator. For 2005, Occidental's production at Horn Mountain averaged 14,000 BOE per day. In the second half of 2005, the Horn Mountain field was shut down for about 47 days due to the impact of the hurricanes in the Gulf of Mexico.

Hugoton and Other

Occidental owns other oil and gas interests including a large concentration of gas reserves, production interests and royalty interests in the Hugoton area of Kansas and Oklahoma. The Hugoton field is the largest natural gas field discovered in North America. Occidental's Hugoton and other operations produced 133 MMcf of natural gas per day and 3,000 barrels of oil per day in 2005.

Occidental has over 28,000 net acres in the Piceance Basin in western Colorado. During 2004 and 2005, Occidental drilled 30 development wells, installed a 50 MMcf per day gas processing facility and the infrastructure required for future field development. Occidental has acquired seismic data covering 34 square miles of the Cascade Creek field.

Acquisition of Vintage Petroleum

In January 2006, Occidental completed the merger of Vintage Petroleum, Inc. (Vintage) into a wholly-owned Occidental subsidiary. Occidental acquired producing assets in Argentina, the United States, Yemen and Bolivia. The Argentine assets consist of 22 concessions, 19 of which Occidental will operate, located in the San Jorge Basin in Southern Argentina and the Cuyo Basin in western Argentina. Occidental paid \$1.4 billion to former Vintage shareholders for the cash portion of the merger consideration and issued 28 million shares for the stock portion, which was valued at \$2.1 billion. The value of Occidental's shares was determined by the average share price for the five-day period beginning two days before the acquisition announcement. In addition, Occidental assumed Vintage's debt, which had an estimated fair market value of \$585 million at closing. Occidental intends to divest a portion of these assets.

Middle East / North Africa Dolphin Project

Occidental's investment in the Dolphin Project, which was acquired in 2002, consists of two separate economic interests held through two separate legal entities. One entity, OXY Dolphin E&P, LLC, owns a 24.5-percent undivided interest in the assets and liabilities associated with a Development and Production Sharing Agreement (DPSA) with the Government of Qatar to develop and produce natural gas and condensate in Qatar's North Field for 25 years from the start of production, with a provision to request a 5-year extension. The purchase price of the undivided working interest in the DPSA was approximately \$60 million and was recorded in Property, Plant & Equipment. This undivided interest is proportionately consolidated in Occidental's financial statements.

A second entity, OXY Dolphin Pipeline, LLC, owns 24.5 percent of the stock of Dolphin Energy Limited (Dolphin Energy). The purchase price of Dolphin Energy stock totaled approximately \$250 million and was recorded as an equity investment.

Dolphin Energy is the operator under the DPSA on behalf of the three DPSA contractors, including Occidental. Dolphin Energy also has the rights to build, own and operate a 260-mile-long, 48-inch natural gas pipeline, which will transport dry natural gas from Qatar to the UAE.

The Dolphin Project is expected to cost approximately \$4.0 billion in total. Occidental expects to invest approximately \$1 billion of this total. The project will be financed by a combination of participant investment and project financing. During 2006, Occidental expects to spend a combined total of approximately \$430 million for the gas exploration and

development activity and the investment in Dolphin Energy, compared to \$380 million in 2005.

In 2003, the Government of Qatar approved the final field development plan for the Dolphin Project. Construction of a gas processing and compression plant at Ras Laffan in Qatar, as well as two offshore gas production platforms, commenced in 2004 and is continuing. The projected start-up date for production is late 2006.

Based on existing supply contracts, the Dolphin Project is expected to export approximately 2 billion cubic feet (Bcf) of natural gas per day (plus associated liquids and byproducts). However, the pipeline is expected to have capacity to transport up to 3.2 Bcf of natural gas per day. Demand for natural gas in the UAE and Oman continues to grow and Dolphin Energy's customers have requested additional gas supplies. To help fulfill this growing demand, Dolphin Energy will pursue an agreement to secure an additional supply of gas from Qatar.

To date, Occidental has recorded 250 million BOE of proved undeveloped oil and gas reserves for the Dolphin Project DPSA activity. No revenue or production costs were recorded in 2005 for the Dolphin Project gas exploration and development activity.

Qatar

In addition to the Dolphin Project, Occidental participates in two production projects in Qatar: Idd El Shargi North Dome (ISND) and Idd El Shargi South Dome (ISSD). Occidental is nearing completion of Phase II of full field development of ISND and is in the process of developing the ISSD field.

Occidental expects to continue increasing production and recoverable reserves under its existing agreement in the ISND field. Phase II is targeting the development and recovery of additional reserves by applying advanced drilling systems and improved reservoir characterization techniques. Capital expenditures in Qatar for the ISSD and ISND projects were \$343 million in 2005 and are expected to be \$268 million in 2006.

Occidental's net share of combined production from the two fields averaged 42,000 barrels per day in 2005.

Yemen

In Yemen, Occidental owns a 38 percent direct-working interest in the Masila field in Block 14 and a 40.4-percent interest in the East Shabwa field, comprising a 28.6-percent direct-working interest and an 11.8-percent equity interest in an unconsolidated entity. Occidental's production averaged 28,000 barrels of oil per day in 2005, with 24,000 coming from the Masila field and the remainder from East Shabwa. In addition, Occidental is the operator of Block 20, where it owns an 80-percent working interest.

In July 2005, Occidental was the successful bidder for Block 75 in Yemen's exploration bid round and has been invited to finalize a PSC for the block.

Oman

Occidental's Oman business includes Block 9 and Block 27, where it holds a 65-percent working interest in each, and Block 53, where it holds a 45-percent working interest. Occidental is the operator of all three blocks where production averaged 24,000 BOE per day in 2005, with 23,000 BOE coming from Block 9 and the remainder from Block 53. The Block 9 agreement provides for two ten-year extensions and Occidental has agreed with the Government of Oman to the first ten-year extension through December 7, 2015.

In March 2004, Occidental began selling gas to the Government of Oman under a gas sales agreement, thereby allowing Occidental to produce previously stranded gas and condensates from Block 9. Under the agreement, Occidental (and its Block 9 partner) must supply approximately 114 MMcf per day of natural gas until December 31, 2007. Thereafter, Occidental will nominate quantities that it has available for delivery. In 2005, Occidental (and its partner) supplied an average of approximately 116 MMcf per day of natural gas to the Government under the gas sales agreement. The minimum gross quantities to be delivered under the gas sales agreement through December 31, 2007 represent approximately 93 percent of the expected average gross production of gas from Block 9 during that period. As of December 31, 2005, the gross proved gas reserves from Block 9 are approximately 373 percent of the total minimum of gas that remains to be delivered under the gas sales agreement.

In October 2005, Occidental received approval for development of the Khamilah field in Block 27. The exploitation term of the agreement is 30 years beginning in September 2005. Occidental plans to develop the reserves and commence production in Block 27 through capital-efficient investment and exploration.

Occidental (and its Block 53 partners) signed a new PSC for the Mukhaizna field with the Government of the Sultanate of Oman in July 2005. On September 1, 2005, Occidental assumed operations of the Mukhaizna field, where it holds a 45-percent working interest. The Mukhaizna field, located in Oman's south central interior, was discovered in 1975 and was brought into production in 2000. Primary production peaked in the same year at 15,000 barrels of oil per day and by September 2005, had declined to 8,500 barrels of oil per day. Occidental plans to use horizontal well steamflood technology to steadily increase production.

Libya

Occidental suspended all activities in Libya in 1986 as a result of economic sanctions imposed by the United States government. During the imposition of sanctions, Occidental derived no economic benefit from its Libyan interests. In 2004, the United States government lifted all of the principal economic sanctions against Libya. However, Libya continues to be designated as a country supporting international terrorism under section 6(j) of the United States Export Administration Act and, as such, continues to be subject to certain limited sanctions.

On August 11, 2005, the Libyan authorities approved the terms of Occidental's participation in the assets that it left in 1986, effective as of July 1, 2005. The agreement allows Occidental to return to its Libyan operations on generally the same terms in effect when activities were suspended. Those assets consist of three producing contracts in the Sirte Basin and four exploration blocks. Occidental paid approximately \$133 million in re-entry bonuses, capital adjustment and work-in-progress payments and is required to pay \$10 million per year while it continues to operate in Libya, as reimbursements for past development costs associated with the historical assets. In addition, Occidental committed to spend \$90 million over the next five years in the four exploration blocks. Currently, Occidental's rights in the producing fields extend through 2009 and early 2010. Occidental had its first lifting from its Libyan operations in late September and production during the fourth quarter of 2005 averaged 24,000 BOE per day.

Separately, in early 2005, Occidental participated in the EPSA IV exploration bid round in Libya. Occidental successfully bid on nine of the 15 areas available. Occidental is the operator for five onshore areas and has a 90-percent exploration working interest. In addition, Occidental holds a 35-percent exploration working interest in four offshore areas. Woodside Petroleum Ltd. is the operator for the offshore areas. Occidental paid approximately \$90 million in exploration lease bonuses for these nine new areas and committed to spend an additional \$125 million over the next five years.

Other Eastern Hemisphere

Pakistan

Occidental holds oil and gas working interests, that vary from 25 to 50 percent, in four Badin Blocks in Pakistan. BP is the operator. Occidental's share of production was approximately 18,000 BOE per day in 2005.

Russia

In Russia, Occidental owns 50 percent of a joint venture company, Vanyoganneft, that operates in the western Siberian oil basin. Production for 2005 was approximately 28,000 BOE per day.

Latin America

Colombia

Occidental is the operator of the Caño Limón field with a 35-percent share of production, declining to 33.6 percent by mid-2006 and 31.5 percent by 2009. In mid-2006, if WTI exceeds \$30 per barrel, Occidental's share of production will decline an additional amount based on a sliding scale. Occidental's share of 2005 production averaged 32,000 barrels of oil per day. Colombia's national oil company, Ecopetrol, operates the Caño Limón-Coveñas oil pipeline and marine-export terminal. The pipeline transports oil produced from the Caño Limón field for export to international markets.

In September 2005, Occidental signed a new agreement with Ecopetrol for an enhanced oil recovery project in the La Cira-Infantas field, located in central Colombia. If conditions warrant, upon completion of the

two pilot phases, Occidental will earn a 48 percent net share of production upon further development.

In November 2005, Ecopetrol approved development of the Caricare field, an exploration discovery under the Rondon Association Contract, adjacent to Caño Limón. Production from this field, where Occidental holds a 35-percent working interest, is expected to commence in May 2006.

Occidental holds various working interests in two additional exploration blocks.

Ecuador

Occidental operates Block 15 in Ecuador in which it holds a 60-percent economic interest. Although Occidental holds legal title to 100 percent of the Block 15 Participation Contract, it farmed out 40 percent of its economic interest related to Block 15 in 2000. Occidental's share of production averaged approximately 42,000 barrels of oil per day in 2005. In addition, Occidental has a 14-percent interest in the Oleoducto de Crudos Pesados Ltd. (OCP) oil export pipeline.

Development of existing fields, primarily Eden-Yuturi and the Indillana Complex, continued through 2005. Drilling and the installation of new wells nearly offset the natural decline of existing wells.

Foreign oil companies, including Occidental, have been paying a Value Added Tax (VAT), generally calculated on the basis of 10 to 12 percent of expenditures for goods and services used in the production of oil for export. Until 2001, oil companies, like other companies producing products for export, filed for and received reimbursement of VAT. In 2001, the Ecuador tax authority announced that the oil companies' VAT payments did not qualify for reimbursement. In 2002, Occidental initiated an international arbitration proceeding against the Ecuadorian Government under the United States-Ecuador bilateral investment treaty based on Occidental's belief that the Ecuadorian Government is arbitrarily and discriminatorily refusing to refund the VAT to Occidental. In July 2004, a tribunal of international arbitrators awarded Occidental compensation for VAT refunds from Occidental's Block 15 operations that were withheld by the Ecuadorian Government and indicated that similar VAT refunds should be paid going forward. The Ecuadorian Government has appealed the tribunal's decision and the appeals proceedings continue at present. In the event of an unfavorable outcome, the potential effect on Occidental's financial statements would not be material.

In September 2004, Occidental received formal notification that Petroecuador, the state oil company of Ecuador, was initiating proceedings to determine if Occidental had violated either its Participation Contract for Block 15 or the Ecuadorian Hydrocarbons Law and whether the alleged violations constitute grounds for terminating the Participation Contract. Block 15 operations represent approximately 7 percent of Occidental's 2005 consolidated production, 4 percent of its proved consolidated reserves, and 2 percent of its total property, plant and equipment (PP&E), net of accumulated depreciation, depletion and amortization (DD&A). In August 2005, Petroecuador issued a report

recommending that the Minister of Energy declare the termination of Occidental's Participation Contract for Block 15. The principal allegation stated in the notice and the Petroecuador report is an assertion that Occidental should have obtained government approval for the farmout agreement entered into in 2000. In November 2005, the Minister of Energy, following the procedure set forth in the Ecuadorian Hydrocarbons Law, requested that Occidental respond to the allegations against it. In February 2006, Occidental submitted its response to the Minister of Energy, in which Occidental confirmed its belief that it has complied with all material obligations under the Participation Contract and Ecuadorian law, and that any termination of the contract based upon the stated allegations would be unfounded and would constitute an unlawful expropriation. Occidental has been cooperating with the Ecuadorian authorities in these proceedings, and will continue to strive for an amicable resolution. Occidental currently is unable to determine the outcome of these proceedings, but if there were to be a negotiated settlement, it is probable that the terms would effectively reduce the future profitability of Block 15 operations. See also "Off-Balance-Sheet Arrangements — Ecuador" for further information about the OCP pipeline.

Production-Sharing Contracts

Occidental conducts its operations in Qatar, Oman and Yemen under PSCs and, under such contracts, receives a share of production to recover its costs and an additional share for profit. In addition, Occidental's share of production from THUMS is subject to contractual arrangements similar to a PSC. Occidental's share of production from these contracts decreases when oil prices rise and increases when oil prices decline. Overall, Occidental's net economic benefit from these contracts is greater at higher oil prices.

Proved Reserves - Evaluation and Review Process

A senior corporate officer of Occidental is responsible for the internal audit and review of its oil and gas reserves data. In addition, a Corporate Reserves Review Committee (Reserves Committee) has been established, consisting of senior corporate officers, to monitor and review Occidental's oil and gas reserves. The Reserves Committee reports to the Audit Committee of Occidental's Board of Directors periodically throughout the year. Occidental retained Ryder Scott Company, L.P. (Ryder Scott), independent petroleum engineering consultants, to review its oil and gas reserve estimation processes in 2004 and 2005.

Ryder Scott compared Occidental's methods and procedures for estimating oil and gas reserves to generally accepted industry standards and reviewed certain data, methods and procedures used in estimating reserve volumes, the economic evaluations and reserve classifications. Ryder Scott reviewed the specific application of such methods and procedures for a selection of oil and gas fields considered to be a valid representation of Occidental's total reserves portfolio.

Based on this review, including the data, technical processes and interpretations presented by Occidental, Ryder Scott concluded that the methodologies used by

Occidental in preparing the relevant estimates generally comply with current Securities and Exchange Commission (SEC) standards. Ryder Scott was not engaged to render an opinion as to the reserves volumes presented by Occidental.

Proved Reserve Additions

Occidental consolidated subsidiaries had proved reserves at year-end 2005 of 2,662 million BOE, as compared with the year-end 2004 amount of 2,489 million BOE. Additionally, Occidental's investments in other interests had proved reserves of 45 million and 43 million BOE at year-end 2005 and 2004, respectively. The increase in the consolidated subsidiaries' reserves from all sources was 380 million BOE, of which 232 million BOE were from proved developed reserves and 148 million BOE were from proved undeveloped reserves.

Proved developed reserves represent approximately 74 percent of Occidental's total proved reserves.

Proved Reserve Additions - Consolidated Subsidiaries - 2005

In Millions of BOE	Proved Developed	Proved Undeveloped	Proved Total
Revisions due to change in price	1	(27)	(26)
Other revisions	62	(57)	5
Improved Recovery	49	90	139
Extensions and Discoveries	21	102	123
Purchases	99	40	139
Total Additions	232	148	380

Proved reserves are 78 percent crude oil and condensate and 22 percent natural gas.

Revisions of Previous Estimates

In 2005, Occidental had net negative revisions of its proved reserves of 26 million BOE due to changes in price. The decrease was mainly due to negative revisions of 52 million BOE from the Dolphin Project, Qatar, Oman and Yemen where reserve amounts decrease when prices rise. These revisions were partially offset by positive revisions at domestic operations in Elk Hills and the Permian Basin. If oil prices increased by \$5 per barrel, less oil volume is required to recover costs, and PSCs would reduce Occidental's share of proved reserves by approximately 7 million BOE. Conversely, if oil prices dropped by \$5 per barrel, Occidental's share of proved reserves would increase by a similar amount. Oil price changes would also tend to affect the economic lives of proved reserves from other contracts, in a manner partially offsetting the PSC reserve volume changes. Apart from the effects of product prices, Occidental's approach to interpreting technical data regarding oil and gas reserves makes it more likely future reserve revisions will be positive rather than negative.

Improved Recovery

In 2005, Occidental added reserves of 139 million BOE through improved recovery, mainly in the Permian Basin, Elk Hills, and THUMS in the United States and also in Qatar. In an effort to partially mitigate the decline

in oil and gas production from the Elk Hills field, Occidental has successfully implemented an infill drilling program. The Elk Hills operations employ both gas flood and water flood techniques. In the Permian Basin, the increased reserves were primarily attributable to enhanced recovery techniques, such as drilling additional CO₂ flood and water flood wells.

Extensions and Discoveries

Occidental obtains reserve additions from extensions which are dependent on successful exploitation programs. In 2005, Occidental added reserves of 123 million BOE, with 23 million BOE in the United States and 91 million BOE in the Middle East. In western Colorado, Occidental added approximately 9 million BOE from the extension of gas reserves to proved locations, most of which will require additional development capital.

The success of improved recovery, extension and discovery projects depends on reservoir characteristics and technology improvements, as well as oil and gas prices, capital costs and operating costs. Many of these factors are outside of management's control, and will affect whether or not these historical sources of reserve additions continue at similar levels.

Purchases of Proved Reserves

In 2005, Occidental purchased reserves of 139 million BOE, of which 135 million BOE are in the United States. The reserve additions in the United States were from various acquisitions, primarily in the Permian Basin, of which 71 percent were proved developed reserves. Occidental continues to add reserves through acquisitions when properties are available at reasonable prices. Acquisitions are dependent on successful bidding and negotiating of oil and gas contracts at attractive terms. As market conditions change, the available supply of properties may increase or decrease accordingly.

Proved Undeveloped Reserves

In 2005, Occidental's proved undeveloped reserves increased by 148 million BOE. This net increase resulted from improved recovery, extensions, discoveries and purchases, primarily in the Elk Hills field, in the Permian Basin, in western Colorado and in the Dolphin Project. The Dolphin Project accounted for 63 percent of the 2005 increase, and the projected start-up for Dolphin production is late 2006. These proved undeveloped additions were partially offset by reserve transfers to the proved developed category as a result of 2005 development programs.

For details of proved reserve activity by geographic areas, see the "Supplemental Oil and Gas Information (Unaudited)" section in Item 8.

Industry Outlook

The petroleum industry is highly competitive and subject to significant volatility due to numerous market forces. Crude oil and natural gas prices are affected by market fundamentals such as weather, inventory levels, competing fuel prices, overall demand and the availability of supply.

Worldwide oil prices in 2005 remained at or near historical highs. Continued economic growth, resulting in increased demand and concerns about supply availability, could result in continued high prices. A lower demand growth rate could result in lower crude oil prices.

Historically, sustained high or low oil prices have significantly affected profitability and returns for Occidental and other upstream producers. Oil prices cannot be predicted with any certainty. The WTI price has averaged approximately \$28.78 per barrel over the past ten years. However, the industry has historically experienced wide fluctuations in prices. During 2005, Occidental experienced an increase in its price differential of the average WTI price over Occidental's realized prices. See the "Oil and Gas Segment — Business Environment" section above for further information.

While local supply/demand fundamentals are a decisive factor affecting domestic natural gas prices over the long term, day-to-day prices may be more volatile in the futures markets, such as on the NYMEX and other exchanges, making it difficult to forecast prices with any degree of confidence. Over the last ten years, the NYMEX gas price has averaged \$4.04 per Mcf.

CHEMICAL SEGMENT

Business Environment

The chemical segment experienced improved results in 2005 due to sustained demand coupled with improved margins despite sharply higher feedstock costs. The widespread impact of Hurricanes Katrina and Rita in the third quarter caused several disruptions among chlor-alkali producers and their customers. This resulted in a moderate softening of product demand.

Business Review

Chlor-alkali

Demand for chlor-alkali products began the year quite strong, which enabled OxyChem to realize robust margins despite escalating energy and raw material costs. While chlorine and caustic prices continued to rise throughout the year, the combination of softening demand, partly due to Hurricanes Katrina and Rita, and the rapid rise in energy and feedstock costs caused operating rates and profitability to fall in the latter part of the year. Key sectors, such as vinyls and pulp and paper, were operating at full capacity in the first half, resulting in a tight supply/demand balance for chlorine and caustic soda. Although demand remained relatively strong in the second half of the year, margins came under pressure as product became more available and industrial customers reduced purchases to control inventories and bolster cash flow.

Domestic chlorine demand fell 7 percent compared to 2004, as several sectors experienced slowdowns late in the year, which resulted in de-stocking of inventory amid the expectation of lower prices. Despite starting the year operating at near capacity, 2005 chlor-alkali industry operating rates fell to 90 percent for the year, down from 99 percent in 2004. OxyChem's chlor-alkali operating rate for 2005 was 92 percent, slightly above the industry operating rate of 90 percent.

In September 2005, OxyChem decided to permanently close its Deer Park, Texas and Delaware City, Delaware chlor-alkali production facilities, and its EDC facility in Ingleside, Texas. These sites were closed because they were not expected to regain an economically viable operating position in the future.

Vinyls

Increasing ethylene and natural gas prices led to a continuation of industry PVC price increases in 2005. Industry PVC prices increased 24 percent compared to 2004. These increases led to record high price levels in the fourth quarter of 2005.

Industry-wide total 2005 demand was 3 percent lower compared with 2004.

OxyChem operated its PVC facilities at an average operating rate of 88 percent for 2005, compared to the North American industry average of 89 percent.

In December 2005, OxyChem announced that it would permanently close its Alberta, Canada PVC manufacturing facility in the first quarter of 2006.

Acquisition of Vulcan Assets

In June 2005, Occidental completed the purchase of three chlor-alkali chemical manufacturing facilities from Vulcan for \$214 million in cash, plus contingent payments based upon the future performance of these facilities and the assumption of certain liabilities. In order to facilitate receipt of regulatory approval for this acquisition, Occidental divested one of the facilities.

Exit of Vinyl Specialty Resins Business

At the end of 2004, Occidental decided to exit the vinyl specialty resins business for strategic and economic reasons. This resulted in the immediate closure of the Pottstown, Pennsylvania manufacturing facility. Occidental recorded an after-tax charge of \$32 million in 2004 and classified this business as a discontinued operation.

Industry Outlook

Occidental's chemical business experienced improved profitability in 2005, 47 percent higher than 2004's earnings. The major factors that contributed to this improved performance were the continued strong United States economy, higher margins and the acquisition of certain Vulcan chemical operating assets.

Continued strong performance will depend on global economic activity, the competitiveness of the United States in the world economy and the direction of the unprecedented high levels of feedstock and energy prices and their impact on margins. Reduced demand due to softening in the United States economy and continuation of the historically high levels of feedstock and energy prices could affect operating margins and reduce future profitability.

Construction of LNG terminals on the United States Gulf Coast could stabilize natural gas prices at a lower-than-current level and thereby help improve the competitive position of efficient Gulf Coast chemical facilities. However, this construction may not occur in the immediate future.

Chlor-alkali

Industry operating rates ended 2005 at 90 percent of capacity, which is a considerable decline from 2004's performance of 99 percent. Demand growth is expected to be moderate despite the potential positive effect of Gulf Coast rebuilding efforts. However, due to the currently high level of energy and other key raw material costs, margins are expected to remain under pressure. Moreover, a significant portion of 2005 results were due to sharply higher caustic soda prices versus 2004. This price increase has led to additional United States imports and intense competition among producers for market share.

Vinyls

Industry-wide PVC operating rates are expected to be slightly lower in 2006 as a result of the restart of some idled capacity coupled with lower housing starts and reduced exports. VCM rates are expected to improve as Dow Chemical Company completes the announced shutdown of two production facilities.

The growing cost disparity in the vinyls chain between the United States Gulf Coast and southeast Asia, as well as the growth of acetylene-based PVC capacity in China, have resulted in a dramatic shift in trade flows and imports of PVC into the United States and Latin America.

CORPORATE AND OTHER

Corporate and Other includes the investments in Lyondell Chemical Company (Lyondell) and Premcor, Inc., (Premcor), and a leased cogeneration facility in Taft, Louisiana. The Premcor investment was sold in 2005. Beginning in 2004, Corporate and Other also included the results of a 1,300-mile oil pipeline and gathering system located in the Permian Basin, which was acquired in January 2004, and is used in corporate-directed oil and gas marketing and trading operations.

Lyondell

In November 2004, Lyondell acquired Millennium Chemicals Inc. (Millennium) by issuing additional shares of Lyondell common stock. Under SEC Staff Accounting Bulletin No. 51, Occidental was required to record its share of the increase in Lyondell's net equity resulting from this issuance. The effect of this was an increase in the carrying value of Occidental's investment in Lyondell and a pre-tax gain of \$121 million. As a result of the stock issuance, Occidental's ownership percentage of Lyondell decreased from approximately 22 percent to 17 percent.

In 2005, Occidental sold 11 million shares of Lyondell common stock for gross proceeds of approximately \$300 million. This sale resulted in a 2005 pre-tax gain of \$140 million. At December 31, 2005, Occidental still owned 30.3 million shares of Lyondell common stock (12 percent ownership), with a carrying value of \$468 million and a fair market value of \$722 million, and warrants to purchase an additional five million shares of Lyondell common stock. Occidental has no current plans to divest the remaining Lyondell shares. However, Occidental regularly reviews and analyzes its investments and other operations in order to determine how its stockholders' interests are best served. Occidental continues to account for this investment on the equity method since it has the ability to exercise significant influence over Lyondell.

Premcor

In 2005, Valero Energy Corp. (Valero) and Premcor executed a merger agreement for Valero to acquire Premcor. Occidental tendered its 9 million shares of Premcor common stock for cash and shares of Valero common stock pursuant to the Premcor-Valero agreement. Valero's acquisition of Premcor resulted in a \$704 million pre-tax gain and the subsequent sale of all of the Valero shares received resulted in an additional \$22 million pre-tax gain.

SEGMENT RESULTS OF OPERATIONS

The following discussion of Occidental's two operating segments and corporate items should be read in conjunction with Note 15 to the Consolidated Financial Statements.

Segment earnings generally exclude interest income, interest expense, unallocated corporate expenses, discontinued operations and the cumulative effect of changes in accounting principles, but include gains and losses from dispositions of segment assets and results from the segments' equity investments.

As of January 1, 2005, Occidental revised its reporting of segment earnings to show segment earnings before income taxes. All domestic and foreign income tax expense is now reflected in the "Corporate and Other" column. This change has been retrospectively applied to prior period results.

The following table sets forth the sales and earnings of each operating segment and corporate items:

In millions, except per share amounts For the years ended December 31,			
	2005	2004	2003
SALES			
Oil and Gas	\$ 10,416	\$ 7,582	\$ 6,003
Chemical	4,641	3,675	3,092
Other ^(a)	151	111	145
	<u>\$ 15,208</u>	<u>\$ 11,368</u>	<u>\$ 9,240</u>
EARNINGS (LOSS)			
Oil and Gas ^(b)	\$ 6,293	\$ 4,290	\$ 3,213
Chemical ^(c)	607	414	223
	<u>6,900</u>	<u>4,704</u>	<u>3,436</u>
Unallocated corporate items			
Interest expense, net ^(d)			
Debt and trust preferred distributions	(201)	(240)	(333)
Income taxes ^(e)	(2,020)	(1,708)	(1,231)
Other ^(f)	593	(150)	(271)
Income from continuing operations	5,272	2,606	1,601
Discontinued operations, net	6	(38)	(6)
Cumulative effect of changes in accounting principles, net	3	—	(68)
Net Income	<u>\$ 5,281</u>	<u>\$ 2,568</u>	<u>\$ 1,527</u>
Basic Earnings per Common Share	<u>\$ 13.09</u>	<u>\$ 6.49</u>	<u>\$ 3.98</u>

(a) The 2005 and 2004 amounts represent revenue from a Taft, Louisiana cogeneration plant and the Permian Basin pipeline and gathering system. The 2003 amount represents revenue from a Taft, Louisiana cogeneration plant.

(b) The 2005 and 2004 amounts include interest income of \$11 million and \$18 million, respectively, from loans made to an equity investee.

(c) The 2005 amount includes a \$139 million charge for the write-off of two previously idled chemical plants and one currently operated plant and an additional charge of \$20 million for the write-down of another chemical plant.

(d) The 2005 amount includes \$42 million of interest charges to redeem an unsecured subsidiary note and all of the outstanding 5.875-percent senior notes, 4.1-percent medium-term notes and 7.65-percent senior notes and to purchase in the open market and retire various amounts of Occidental senior notes and unsecured subsidiary notes. The 2004 amount includes \$17 million of interest charges to redeem or repurchase various debt issues during the year. The 2003 amount includes a \$61 million interest charge to repay a \$450 million senior note that had 10 years of remaining life, but was subject to remarketing on April 1, 2003.

(e) The 2005 amount includes a \$335 million tax benefit due to the reversal of tax reserves no longer required as United States corporate returns for tax years 1998-2000 became closed by lapsing of the statute of limitations, a \$619 million tax benefit resulting from a closing agreement with the IRS resolving certain foreign tax credit issues and a \$10 million charge related to a state income tax issue. The 2004 amount includes \$47 million of credits related to tax settlements with the IRS. The 2005 and 2004 amounts also reflect a lower United States income tax rate resulting from the crediting of foreign income taxes.

(f) The 2005 amount includes a \$726 million pre-tax gain from Valero's acquisition of Premcor and the subsequent sale of the Valero common shares received, a \$140 million pre-tax gain from the sale of 11 million shares of Lyondell common stock, which represented approximately 27 percent of Occidental's investment, \$95 million of corporate equity-method investment income and \$62 million environmental remediation expense. The 2004 amount includes \$169 million of corporate equity-method investment income, \$59 million of environmental remediation expense and the costs attributable to the cogeneration plant in Taft, Louisiana. The 2003 amount includes \$58 million of corporate equity-method investment losses and \$63 million of environmental remediation expense.

Oil and Gas

In millions, except as indicated	2005	2004	2003
Segment Sales	\$ 10,416	\$ 7,582	\$ 6,003
Segment Earnings	\$ 6,293	\$ 4,290	\$ 3,213
Core Earnings ^(a)	\$ 6,337	\$ 4,290	\$ 3,213
Net Production per Day			
United States			
Crude oil and liquids (MBBL)			
California	76	78	81
Permian	161	154	150
Horn Mountain	13	19	21
Hugoton and other	3	3	4
Total	253	254	256
Natural Gas (MMCF)			
California	242	237	252
Hugoton and other	133	127	138
Permian	170	130	129
Horn Mountain	8	13	13
Total	553	507	532
Latin America			
Crude oil & condensate (MBBL)			
Colombia	36	37	37
Ecuador	42	46	25
Total	78	83	62
Middle East/North Africa			
Crude oil & condensate (MBBL)			
Oman	17	13	12
Qatar	42	45	45
Yemen	28	32	35
Libya	8	—	—
Total	95	90	92
Natural Gas (MMCF)			
Oman	44	55	—
Other Eastern Hemisphere			
Crude oil & condensate (MBBL)			
Pakistan	5	7	9
Natural Gas (MMCF)			
Pakistan	77	75	74
Barrels of Oil Equivalent (MBOE)			
Subtotal Consolidated Subsidiaries	543	540	520
Colombia-minority interest	(4)	(4)	(5)
Russia-Occidental net interest	28	29	30
Yemen-Occidental net interest	1	1	2
Total Worldwide Production (MBOE)	568	566	547

Oil and Gas (continued)

In millions, except as indicated	2005	2004	2003
Average Sales Prices			
Crude Oil Prices (\$ per barrel)			
United States	\$ 50.21	\$ 37.72	\$ 28.74
Latin America	\$ 45.43	\$ 33.09	\$ 27.21
Middle East/North Africa ^(b)	\$ 49.88	\$ 34.88	\$ 27.81
Other Eastern Hemisphere	\$ 46.84	\$ 33.13	\$ 26.61
Total consolidated subsidiaries	\$ 49.05	\$ 35.95	\$ 28.18
Other interests	\$ 36.16	\$ 23.83	\$ 15.95
Total worldwide	\$ 48.20	\$ 35.09	\$ 27.25
Gas Prices (\$ per thousand cubic feet)			
United States	\$ 7.11	\$ 5.35	\$ 4.81
Middle East/North Africa ^(b)	\$ 0.96	\$ 0.97	\$ —
Other Eastern Hemisphere	\$ 2.44	\$ 2.25	\$ 2.04
Total consolidated subsidiaries	\$ 6.11	\$ 4.56	\$ 4.45
Other interests	\$ 0.16	\$ —	\$ —
Total worldwide	\$ 5.98	\$ 4.56	\$ 4.45
Expensed Exploration ^(c)	\$ 337	\$ 219	\$ 139
Capital Expenditures			
Development	\$ 1,856	\$ 1,438	\$ 1,097
Exploration	\$ 269	\$ 102	\$ 43
Acquisitions and other ^(d, e)	\$ 111	\$ 109	\$ 97

(a) For an explanation of core earnings, see "Significant Items Affecting Earnings."

(b) These prices exclude taxes owed by Occidental but paid by governmental entities on its behalf.

(c) Includes dry hole write-offs and lease impairments of \$242 million in 2005, \$159 million in 2004 and \$80 million in 2003.

(d) Includes capitalized portion of injected CO₂ of \$59 million, \$54 million and \$48 million in 2005, 2004 and 2003, respectively.

(e) Includes mineral acquisitions but excludes significant acquisitions individually discussed in this report.

Core earnings in 2005 were \$6.3 billion, compared with \$4.3 billion in 2004. The increase in core earnings is primarily due to higher prices and volumes for crude oil and natural gas, partially offset by higher operating expenses, higher exploration expense and increased DD&A rates.

Core earnings in 2004 were \$4.3 billion, compared with \$3.2 billion in 2003. The increase in core earnings primarily reflects the effect of higher crude oil and natural gas prices and higher crude oil volumes, partially offset by higher operating expenses, higher exploration expense and increased DD&A rates.

Average consolidated production costs for 2005 were \$8.71 per BOE, compared to the average 2004 production cost of \$6.95 per BOE. At least 62 percent of the increase was a result of higher energy prices, which increased utility, gas plant and CO₂ costs and ad valorem taxes, and the impact of higher crude oil prices on PSCs. The remaining cost increases were the result of workover, maintenance and other costs.

Occidental expects the first quarter 2006 production to be higher than the fourth quarter 2005 production.

Also, see "Production-Sharing Contracts" above.

Chemical

In millions, except as indicated	2005	2004	2003
Segment Sales	\$ 4,641	\$ 3,675	\$ 3,092
Segment Earnings	\$ 607	\$ 414	\$ 223
Core Earnings^(a)	\$ 777	\$ 414	\$ 223
Key Product Price Indexes (1987			
through 1990 average price = 1.0)			
Chlorine ^(b, c)	2.65	2.05	1.72
Caustic soda ^(b, c)	1.69	0.84	0.84
Ethylene dichloride ^(b, c)	1.44	1.56	1.16
PVC commodity resins ^(c)	1.32	1.08	0.89
Key Product Volumes			
Chlorine (thousands of tons) ^(b, c)	3,118	2,892	2,733
Caustic soda (thousands of tons) ^(b)	3,178	3,109	2,764
Ethylene dichloride (thousands of tons) ^(b)	682	458	546
PVC commodity resins ^(c) (millions of pounds)	3,977	4,208	3,954
Capital Expenditures^(e)	\$ 173	\$ 155	\$ 344

(a) For an explanation of core earnings, see "Significant Items Affecting Earnings."

(b) The 2005 amounts include product volumes and prices from the Vulcan chemical operating assets.

(c) Product volumes produced at former PolyOne and Vulcan facilities are excluded from the product price indexes.

(d) Product volumes include those manufactured and consumed internally.

(e) The 2003 amount includes \$180 million for the purchase of a previously leased facility in LaPorte, Texas and \$44 million related to the exercise of purchase options for certain leased railcars.

Core earnings in 2005 were \$777 million, compared with \$414 million in 2004. The increase in core earnings is primarily due to higher margins resulting from higher prices for chlorine, caustic soda and PVC resins, partially offset by higher energy and feedstock costs.

Core earnings were \$414 million in 2004, compared with \$223 million in 2003. The increase in core earnings reflects the impact of higher prices for most major products (PVC resins, EDC, chlorine and VCM), partially offset by higher energy and ethylene costs.

SIGNIFICANT ITEMS AFFECTING EARNINGS

Occidental's results of operations often include the effects of significant transactions and events affecting earnings that vary widely and unpredictably in nature, timing and amount. Therefore, management uses a measure called "core earnings," which excludes those items. This non-GAAP measure is not meant to disassociate those items from management's performance, but rather is meant to provide useful information to investors interested in comparing Occidental's earnings performance between periods. Reported earnings are considered representative of management's performance over the long term. Core earnings is not considered to be an alternative to operating income in accordance with generally accepted accounting principles.

Significant Items Affecting Earnings

Benefit (Charge) (in millions)	2005	2004	2003
TOTAL REPORTED EARNINGS	\$ 5,281	\$ 2,568	\$ 1,527
OIL AND GAS			
Segment Earnings	\$ 6,293	\$ 4,290	\$ 3,213
Less:			
Contract settlement	(26)	—	—
Hurricane insurance charge	(18)	—	—
Segment Core Earnings	\$ 6,337	\$ 4,290	\$ 3,213
CHEMICAL			
Segment Earnings	\$ 607	\$ 414	\$ 223
Less:			
Write-off of plants	(159)	—	—
Hurricane insurance charge	(11)	—	—
Segment Core Earnings	\$ 777	\$ 414	\$ 223
TOTAL SEGMENT CORE EARNINGS	\$ 7,114	\$ 4,704	\$ 3,436
CORPORATE			
Results ^(a)	\$ (1,619)	\$ (2,136)	\$ (1,909)
Less:			
Debt purchase expense	(42)	—	(61)
Trust preferred redemption charge	—	(11)	—
Gain on sale of Lyondell shares	140	—	—
Gain on sale of Premcor-Valero shares	726	—	—
Gain on Lyondell stock issuance	—	121	—
State tax issue charge	(10)	—	—
Settlement of federal tax issue	619	47	—
Reversal of tax reserves	335	—	—
Equity investment impairment	(15)	—	—
Equity investment hurricane insurance charge	(2)	—	—
Hurricane insurance charge	(10)	(15)	—
Tax effect of pre-tax adjustments	(219)	(35)	21
Discontinued operations, net of tax	6	(38)	(6)
Cumulative effect of changes in accounting principles, net of tax	3	—	(68)
CORPORATE CORE RESULTS	\$ (3,150)	\$ (2,205)	\$ (1,795)
TOTAL CORE EARNINGS	\$ 3,964	\$ 2,499	\$ 1,641

(a) Includes interest expense, income taxes, general and administrative and other expense, and certain non-core items.

TAXES

Deferred tax liabilities, net of deferred tax assets of \$1.1 billion, were \$0.8 billion at December 31, 2005. The current portion of the deferred tax assets of \$200 million is included in prepaid expenses and other. The net deferred tax assets are expected to be realized through future operating income and reversal of taxable temporary differences.

Worldwide Effective Tax Rate

The following table sets forth the calculation of the worldwide effective tax rate for reported income from continuing operations and core earnings:

In millions	2005	2004	2003
REPORTED INCOME			
Oil and Gas ^(a)	\$ 6,293	\$ 4,290	\$ 3,213
Chemical	607	414	223
Corporate and Other	392	(390)	(604)
Pre-tax income	7,292	4,314	2,832
Income tax expense			
Federal and State	671	946	673
Foreign ^(a)	1,349	762	558
Total	2,020	1,708	1,231
Income from continuing operations	\$ 5,272	\$ 2,606	\$ 1,601
Worldwide effective tax rate	28%	40%	43%
CORE INCOME			
Oil and Gas ^(a)	\$ 6,337	\$ 4,290	\$ 3,213
Chemical	777	414	223
Corporate and Other	(405)	(485)	(543)
Pre-tax income	6,709	4,219	2,893
Income tax expense			
Federal and State	1,396	958	694
Foreign ^(a)	1,349	762	558
Total	2,745	1,720	1,252
Core income	\$ 3,964	\$ 2,499	\$ 1,641
Worldwide effective tax rate	41%	41%	43%

(a) Revenues and income tax expense include taxes owed by Occidental but paid by governmental entities on its behalf. Oil and gas pre-tax income includes revenue amounts for the years ended December 31, 2005, 2004 and 2003, of \$887 million, \$525 million and \$397 million, respectively.

Occidental's 2005 worldwide effective tax rate was 28 percent for reported income and 41 percent for core income. The decrease in the United States income tax rate for reported income in 2005, compared to 2004, resulted from a \$335 million tax benefit due to the reversal of tax reserves no longer required as United States corporate returns for tax years 1998-2000 became closed due to the lapsing of statutes of limitations and a \$619 million tax benefit resulting from a closing agreement with the IRS resolving certain foreign tax credit issues. The lower United States income tax rate in 2005 and 2004, compared to 2003, resulted from the crediting of foreign income taxes. Previously, Occidental deducted foreign income taxes in determining United States taxable income. An annual tax election permits a taxpayer to claim either a credit or a deduction for foreign income taxes, whichever is more beneficial. Occidental expects to continue its election to credit foreign income taxes in future years.

CONSOLIDATED RESULTS OF OPERATIONS

Selected Revenue Items

In millions	2005	2004	2003
Net sales	\$ 15,208	\$ 11,368	\$ 9,240
Interest, dividends and other income	\$ 181	\$ 144	\$ 89
Gain on disposition of assets, net	\$ 870	\$ 1	\$ 32

The increase in net sales in 2005, compared to 2004, reflects higher crude oil, natural gas and chemical prices.

The increase in sales in 2004, compared to 2003, reflects higher crude oil, natural gas and chemical prices, higher crude oil production and higher chemical volumes, partially offset by lower domestic natural gas production volumes.

The increase in interest, dividends and other income in 2005, compared to 2004, reflects interest income earned on a higher level of cash and cash equivalents.

The increase in interest, dividends and other income in 2004, compared to 2003, is due to 2004 interest income earned from a loan made to an equity investee and a mark-to-market income adjustment for equity investee stock warrants.

Gain on disposition of assets, net in 2005 includes a gain of \$726 million resulting from Valero's acquisition of Premcor and the subsequent sale of all of the Valero shares received and a gain of \$140 million on the sale of 11 million shares of Lyondell stock.

Selected Expense Items

In millions	2005	2004	2003
Cost of sales ^(a)	\$ 5,534	\$ 4,509	\$ 3,897
Selling, general and administrative and other operating expenses	\$ 1,415	\$ 1,008	\$ 852
Depreciation, depletion and amortization	\$ 1,485	\$ 1,303	\$ 1,175
Exploration expense	\$ 337	\$ 219	\$ 139
Interest and debt expense, net	\$ 293	\$ 260	\$ 332

(a) Excludes depreciation, depletion and amortization of \$1,445 million in 2005, \$1,263 million in 2004 and \$1,137 million in 2003.

Cost of sales increased in 2005, compared to 2004, mainly due to higher oil and gas production costs and higher energy and feedstock costs.

Cost of sales increased in 2004, compared to 2003, due primarily to higher oil and gas production volumes and other operating costs, higher energy and feedstock costs and higher crude oil volumes.

Selling, general and administrative and other operating expenses increased in 2005, compared to 2004, due to the chemical plant write-offs and writedowns in 2005, higher costs in oil and gas, including higher production-related taxes, and increases in share-based compensation expense.

Selling, general and administrative and other operating expenses increased in 2004, compared to 2003, mainly due to higher general and administrative costs for corporate infrastructure and general support areas and higher oil and gas costs, including higher production-related taxes and other operating costs.

DD&A increased in 2005, compared to 2004, due to higher costs of new reserve additions resulting in a higher DD&A rate.

The increase in DD&A in 2004, compared to 2003, was due to the increase in oil and gas production from the prior year and a higher DD&A rate.

The increase in exploration expense in 2005, compared to 2004, was due mostly to higher dry hole write-offs and impairment costs and higher seismic and geological and geophysical costs.

The increase in exploration expense in 2004, compared to 2003, was due mostly to higher dry hole write-offs and impairment costs in California and the Other Eastern Hemisphere region.

Interest and debt expense in 2005, 2004 and 2003 included pre-tax debt purchase charges of \$42 million, \$17 million and \$61 million, respectively. Excluding the effects of these debt repayment charges, interest expense increased in 2005, compared to 2004, due to higher interest rates which were partially offset by lower debt levels. Interest and debt expense decreased in 2004, compared to 2003, due primarily to lower average debt levels.

Other Items

In millions	2005	2004	2003
Provision for income taxes	\$ 2,020	\$ 1,708	\$ 1,231
(Income) loss from equity investments	\$ (232)	\$ (113)	\$ 9
Gain on Lyondell stock issuance	\$ —	\$ (121)	\$ —

The increase in the provision for income taxes in 2005, compared to 2004, was primarily due to an increase in income before taxes, partially offset by a \$335 million tax benefit due to the reversal of tax reserves no longer required as United States corporate returns for tax years 1998-2000 became closed due to the lapsing of statutes of limitations and a \$619 million tax benefit related to the resolution of certain IRS tax issues.

The increase in the provision for income taxes in 2004, compared to 2003, was primarily due to an increase in income before taxes, partially offset by the use of a lower tax rate in 2004 resulting from the crediting of foreign income taxes. See the "Taxes" section above for further information.

The increase in income from equity investments in 2005, compared to 2004, was due to improved results from the Lyondell equity investment and higher income from a Russian oil and gas equity investee.

The increase in the income from equity investments in 2004, compared to results reported in 2003, was mostly attributable to improved results from Lyondell and higher income from a Russian oil and gas equity investee.

The gain on Lyondell stock issuance in 2004 represents Occidental's share of the increase in Lyondell's net equity resulting from Lyondell's issuance of stock to purchase Millennium.

CONSOLIDATED ANALYSIS OF FINANCIAL POSITION

The changes in the following components of Occidental's balance sheet are discussed below:

Selected Balance Sheet Components

In millions	2005	2004
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,189	\$ 1,199
Short-term investments	252	250
Trade receivables, net	2,571	1,882
Receivables from joint ventures, partnerships and other	570	353
Inventories	735	545
Prepaid expenses and other	257	202
Total current assets	\$ 6,574	\$ 4,431
Long-term receivables, net	\$ 377	\$ 239
Investments in unconsolidated entities	\$ 1,209	\$ 1,727
Property, plant and equipment, net	\$ 17,534	\$ 14,633
CURRENT LIABILITIES		
Current maturities of long-term debt and capital lease liabilities	\$ 46	\$ 459
Accounts payable	2,069	1,557
Accrued liabilities	1,635	1,034
Dividends payable	147	110
Domestic and foreign income taxes	383	263
Total current liabilities	\$ 4,280	\$ 3,423
Long-term debt, net	\$ 2,873	\$ 3,345
Deferred credits and other liabilities-income taxes	\$ 962	\$ 1,248
Deferred credits and other liabilities-other	\$ 2,621	\$ 2,498
Stockholders' equity	\$ 15,032	\$ 10,550

The following analysis discusses increases and decreases in balance sheet items by comparing the balance at December 31, 2005, to the balance at December 31, 2004, unless otherwise indicated.

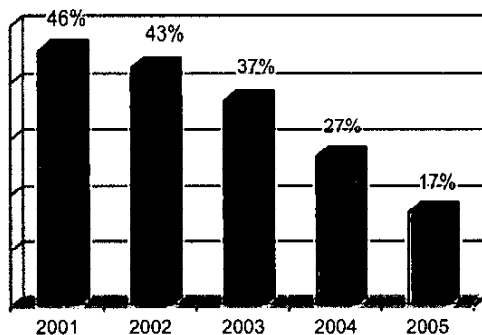
Assets

See "Cash Flow Analysis" for discussion about the increase in cash and cash equivalents. The increase in trade receivables is due to higher product prices and oil and gas sales volumes during the fourth quarter 2005 versus 2004. The increase in receivables from joint ventures, partnerships and other was due to higher mark-to-market adjustments on derivative financial instruments and higher account balances related to the oil and gas marketing and trading operations. The higher balance in inventories is due to higher oil and gas marketing and trading inventory due to higher prices and volumes during the fourth quarter 2005 versus 2004. The higher inventory balance is also due to an increase in chemical inventories.

The increase in long-term receivables reflects higher mark-to-market adjustments on long-term derivative financial instruments. The decrease in investment in unconsolidated subsidiaries is due to the sale of all of the shares of Premcor common stock and a partial sale of the Lyondell stock during the year. The increase in property, plant and equipment reflects capital expenditures and acquisitions, partially offset by DD&A expense.

Liabilities and Stockholders' Equity

Debt to Capitalization ^(a)



(a) This ratio is computed by dividing year-end Total Debt, as shown in the "MD&A-Strategy-Key Performance Indicators-Debt Structure," by the sum of year-end Total Debt plus year-end Stockholders' Equity.

The decrease in current maturities of long-term debt and capital lease liabilities reflects the 2005 payment of the 7.65-percent senior notes that were classified as current in 2004. The higher balance in accounts payable is due to higher prices and volumes for purchased oil and gas in Occidental's marketing and trading operations. The increase in accrued liabilities is primarily due to higher mark-to-market adjustments on derivative financial instruments and higher accruals mainly related to the Vulcan acquisition.

The higher balance in domestic and foreign income taxes-current reflects additional taxes payable due to higher income. The lower balance for long-term debt is due to various debt redemptions and repurchases throughout the year. The decrease in deferred credits and other liabilities – income taxes reflects the reduction in deferred taxes resulting from derivative activity in other comprehensive income (OCI) related to the production hedges and the sale of all of the shares of Valero common stock. The higher balance in deferred credits and other liabilities – other is due to an increase in long-term derivative liabilities related to crude oil production hedges, accruals related to the Permian Basin and Vulcan acquisitions and additional stock-based compensation liabilities, partially offset by the reduction in liabilities related to the IRS settlement and the reversal of tax reserves no longer required due to the lapsing of the statute of limitations.

The increase in stockholders' equity reflects higher net income, partially offset by dividends paid and the impact of the crude oil production hedges in OCI.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2005, Occidental had approximately \$2.4 billion in cash and short-term investments on hand, an increase of almost \$1 billion from 2004. Although income and cash flows are largely dependent on oil and gas prices and production, Occidental believes that cash

and short-term investments on hand and cash generated from operations will be sufficient to fund its operating needs, capital expenditure requirements, dividend payments, potential acquisitions and its announced common stock repurchase program. If needed, Occidental could access its existing credit facilities.

Available but unused lines of committed bank credit totaled approximately \$1.5 billion at December 31, 2005. Occidental's \$1.5 billion bank credit matures on June 18, 2009. None of Occidental's committed bank credits contain material adverse change (MAC) clauses or debt rating triggers that could restrict Occidental's ability to borrow under these lines. Occidental's credit facilities and debt agreements do not contain rating triggers that could terminate bank commitments or accelerate debt in the event of a ratings downgrade.

At December 31, 2005, under the most restrictive covenants of certain financing agreements, Occidental's capacity for additional unsecured borrowing was approximately \$34.6 billion, and the capacity for the payment of cash dividends and other distributions on, and for acquisitions of, Occidental's capital stock was approximately \$13.0 billion, assuming that such dividends, distributions and acquisitions were made without incurring additional borrowing.

In 2005, Occidental redeemed all of its 5.875-percent senior notes due 2007, all of its 4.101-percent medium-term senior notes due 2007, all of its 7.65-percent senior notes due 2006 and three of its unsecured subsidiary notes due 2028 through 2030. In addition, Occidental purchased and retired a total of \$213 million of its 6.75-percent senior notes due 2012, its 10.125-percent senior notes due 2009, its 4-percent medium-term senior notes due 2007 and its 4.25-percent medium-term senior notes due 2010.

In January 2004, Occidental redeemed all of its outstanding 8.16 percent Trust Preferred Redeemable Securities (trust preferred securities) at par plus accrued interest, resulting in a decrease in current liabilities of \$453 million. In the third quarter of 2004, Occidental redeemed all of its 6.5-percent senior notes, which reduced long-term debt by approximately \$157 million.

In July 2004, Dolphin Energy, the operator of the Dolphin Project, entered into an agreement with banks to provide a \$1.36 billion bridge loan for the Dolphin Project. Occidental guaranteed 24.5 percent of the obligations of Dolphin Energy under the bridge loan. In July 2005, Dolphin Energy entered into an agreement with banks to refinance the \$1.36 billion bridge loan with a new bridge loan in an amount of \$2.45 billion. The proceeds of the new bridge loan were used to pay off amounts outstanding on the \$1.36 billion bridge loan and will be used to fund the construction of the Dolphin Project. The new bridge loan has a term of four years and is a revolving credit facility, which may be converted to a term loan. In September 2005, Dolphin Energy entered into an agreement with banks to provide a \$1.0 billion Islamic-law-compliant facility to fund the construction of a certain portion of the Dolphin Project.

This four-year financing facility is structured as a transaction in which Dolphin Energy constructs part of the midstream portion of the Dolphin Project on behalf of a group of Islamic investors and enters into a lease to use such assets upon construction completion. Occidental guarantees 24.5 percent of both of these obligations of Dolphin Energy. At December 31, 2005, Occidental's portion of the bridge loan drawdown was approximately \$400 million, of which \$299 million is recorded on the balance sheet. The remaining amount is discussed in "Off-Balance-Sheet Arrangements — Guarantees" below. There were no draw downs on the Islamic-law-compliant facility at December 31, 2005.

In the first quarter of 2005, Occidental filed a shelf registration statement for up to \$1.5 billion of various securities. As of December 31, 2005, no securities had been issued under this shelf.

In January 2006, Occidental completed the Vintage acquisition and paid \$1.4 billion to former Vintage shareholders for the cash portion of the merger consideration and issued 28 million shares for the stock portion, which was valued at \$2.1 billion. The value of Occidental's shares was determined by the average share price for the five-day period beginning two days before the acquisition announcement. In addition, Occidental assumed Vintage's debt, which had an estimated fair market value of \$585 million at closing. Occidental intends to divest a portion of these assets.

Cash Flow Analysis

In millions	2005	2004	2003
Net cash provided by operating activities	\$ 5,337	\$ 3,878	\$ 3,074

The significant increase in operating cash flow in 2005, compared to 2004, resulted from several factors. The most important drivers were the significantly higher oil and natural gas prices and, to a much lesser extent, chemical prices. Although the changes in realized prices varied among the regions in which Occidental operates, in 2005, Occidental's realized oil prices were higher overall by 37 percent. Occidental's realized natural gas price increased over 33 percent in the United States, where approximately 80 percent of Occidental's natural gas was produced in 2005.

Increases in the costs of producing oil and gas, such as purchased goods and services, and higher utility, gas plant and production taxes, partially offset oil and gas sales price increases, but such cost increases had a much lower effect on cash flow than the realized price increases. Other cost elements, such as labor costs and overheads, are not significant drivers of cash flow because they are mainly fixed within a narrow range over the short to intermediate term.

Most major chemical prices increased in 2005 at a higher rate than the energy-driven increase in feedstock and power costs, thereby improving profits and cash flow. The overall impact of the chemical price changes on cash flow was much less than for oil and gas price

changes, not only because the chemical segment earnings and cash flow are significantly smaller than those for the oil and gas segment, but also because of increases in energy price-driven feedstock and electric power costs, which are major elements of manufacturing cost for the chemical segment's products. Sales volumes for chemical products generally were higher in 2005, but this did not have a significant effect on Occidental's earnings and cash flow.

The significant increase in operating cash flow in 2004, compared to 2003, resulted from the significantly higher oil and natural gas prices and, to a much lesser extent, chemical prices. In 2004, Occidental's realized oil prices were higher overall by 29 percent and the realized United States natural gas price increased over 11 percent. Oil and gas worldwide production, on a BOE basis, increased for 2004 overall by over 3 percent on a daily basis, as compared with 2003, which also contributed to increased cash flow.

Increases in sales prices realized for Occidental's major chemical product lines ranged from zero to 34 percent, compared to 2003. Chemical prices increased in 2004 at a higher rate than the energy-driven increase in feedstock and power costs, thereby improving profits and cash flow. The overall impact of the chemical price changes on cash flow was much less than for oil and gas price changes. Sales volumes for chemical products generally were higher in 2004, but this did not have a significant effect on Occidental's earnings and cash flow.

Increases in the costs of production partially offset sales price increases, but such cost increases had a much lower effect on cash flow than the realized price increases.

Other non-cash charges to income in 2005 include chemical asset write-downs, deferred compensation, stock incentive plan amortization and environmental remediation accruals. Other non-cash charges in 2004 include deferred compensation, stock incentive plan amortization, environmental remediation accruals and a chemical asset writedown. Other non-cash charges in 2003 include deferred compensation, stock incentive plan amortization and environmental remediation accruals.

In millions	2005	2004	2003
Net cash used by investing activities	\$ (3,161)	\$ (2,428)	\$ (2,131)

The 2005 amount includes the cash payments for several Permian Basin acquisitions, the acquisition of the Vulcan chlor-alkali manufacturing facilities and the payments to re-enter Libya and to assume operations of the Mukhaizna field in Oman. These were partially offset by the cash proceeds from the sale of the Premcor-Valero shares and the Lyondell shares.

The 2004 amount includes the purchase of a pipeline and gathering system in the Permian Basin and a \$204 million advance to the Elk Hills Power LLC (EHP) equity investment, which EHP used to repay a portion of its debt.

The 2003 amount includes several Permian Basin acquisitions totaling \$317 million.

Also, see the "Capital Expenditures" section below.

In millions	2005	2004	2003
Net cash used by financing activities	\$ (1,186)	\$ (824)	\$ (516)

The 2005 amount includes net debt payments of approximately \$900 million.

The 2004 amount includes \$466 million paid to redeem the trust preferred securities in January 2004 and \$159 million paid to redeem Occidental's 6.5-percent senior notes.

The 2003 amount includes net debt repayments of \$334 million.

Occidental paid common stock dividends of \$483 million in 2005, \$424 million in 2004 and \$392 million in 2003.

Capital Expenditures

In millions	2005	2004	2003
Oil and Gas	\$ 2,236	\$ 1,649	\$ 1,237
Chemical ^(a)	173	155	344
Corporate and Other	14	39	19
TOTAL ^(b)	\$ 2,423	\$ 1,843	\$ 1,600

(a) The 2003 amount includes \$180 million for the purchase of a previously leased facility in LaPorte, Texas and \$44 million related to the exercise of purchase options for certain leased railcars.

(b) Excludes significant acquisitions individually discussed in this report.

Occidental's capital spending estimate for 2006 is approximately \$3.0 billion. Most of the capital spending will be allocated to oil and gas exploration, production and development activities in Elk Hills, the Permian Basin, Oman, Qatar and the Dolphin Project.

Commitments at December 31, 2005, for major capital expenditures during 2006 and thereafter were approximately \$804 million. Occidental will fund these commitments and capital expenditures with cash from operations.

OFF-BALANCE-SHEET ARRANGEMENTS

In the course of its business activities, Occidental pursues a number of projects and transactions to meet its core business objectives. The accounting and financial statement treatment of these transactions is a result of the varying methods of funding employed. Occidental also makes commitments on behalf of unconsolidated entities. These transactions, or groups of transactions, are recorded in compliance with generally accepted accounting principles and, unless otherwise noted, are not reflected on Occidental's balance sheets. The following is a description of the business purpose and nature of these transactions.

Dolphin Project

See "Oil and Gas Segment — Business Review — Middle East — Dolphin Project" and "Liquidity and Capital Resources" for further information.

Ecuador

In Ecuador, Occidental has a 14-percent interest in the OCP oil export pipeline. As of December 31, 2005, Occidental's net investment and advances to the project totaled \$73 million. Occidental reports this investment in its consolidated statements using the equity method of accounting. The project was funded in part by senior project debt. The senior project debt is to be repaid with the proceeds of ship-or-pay tariffs of certain upstream producers in Ecuador, including Occidental. Under their ship-or-pay commitments, Occidental and the other upstream producers have each assumed their respective share of project-specific risks, including operating risk, political risk and force-majeure risk. Occidental would be required to make an advance tariff payment in the event of prolonged force majeure, upstream expropriation events, bankruptcy of the pipeline company or its parent company, abandonment of the project, termination of an investment guarantee agreement with Ecuador, or certain defaults by Occidental. This advance tariff would be used by the pipeline company to service or prepay project debt. At December 31, 2005, Occidental's obligation relating to the pipeline company's senior project debt totaled \$100 million, and Occidental's obligations relating to performance bonds totaled \$14 million. Occidental's overall obligations will decrease with the reduction of the pipeline company's senior project debt.

Leases

Occidental has entered into various operating-lease agreements, mainly for railcars, power plants, manufacturing facilities and office space. Occidental leases assets when it offers greater operating flexibility. Lease payments are expensed mainly as cost of sales. See the Contractual Obligations table below.

Guarantees

Occidental has entered into various guarantees including performance bonds, letters of credit, indemnities, commitments and other forms of guarantees provided by Occidental to third parties, mainly to provide assurance that OPC and/or its subsidiaries and affiliates will meet their various obligations (guarantees).

At December 31, 2005, the notional amount of the guarantees was approximately \$575 million. Of this amount, approximately \$475 million relates to Occidental's guarantee of equity investees' debt and other commitments. The debt guarantees and other commitments primarily relate to the Dolphin Energy equity investment and the investment in the Ecuador OCP pipeline, which are discussed above. The remaining \$100 million relates to various indemnities and guarantees provided to third parties.

Contractual Obligations

The table below summarizes and cross-references certain contractual obligations that are reflected in the Consolidated Balance Sheets and/or disclosed in the accompanying Notes.

		Payments Due by Year			
Contractual Obligations (in millions)	Total	2006	2007 to 2008	2009 to 2010	2011 and thereafter
Consolidated Balance Sheet					
Long-term debt (Note 6) ^(a)	\$ 2,910	\$ 46	\$ 562	\$ 785	\$ 1,517
Capital leases (Note 7)	37	1	2	2	32
Other liabilities ^(b, c)	5,058	3,548	790	316	404
Other Obligations					
Operating leases (Note 7) ^(d)	1,325	131	207	162	825
Purchase obligations ^(e, f)	7,739	1,299	2,111	1,680	2,649
TOTAL	\$ 17,069	\$ 5,025	\$ 3,672	\$ 2,945	\$ 5,427

(a) Excludes unamortized interest swap net gains and unamortized debt discounts.

(b) Includes obligations under postretirement benefit and deferred compensation plans.

(c) Other liabilities include accounts payable and certain accrued liabilities.

(d) Amounts have not been reduced for sublease rental income.

(e) Includes long-term purchase contracts and purchase orders and contracts for goods and services used in manufacturing and producing operations in the normal course of business. Some of these arrangements involve take-or-pay commitments but they do not represent debt obligations. Due to their long-term nature, purchase contracts with terms greater than 5 years are discounted using a 6-percent discount rate.

(f) Amounts exclude purchase obligations related to oil and gas marketing and trading activities where an offsetting sales position exists.

LAWSUITS, CLAIMS, COMMITMENTS, CONTINGENCIES AND RELATED MATTERS

OPC and certain of its subsidiaries have been named in a substantial number of lawsuits, claims and other legal proceedings. These actions seek, among other things, compensation for alleged personal injury, breach of contract, property damage, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. OPC and certain of its subsidiaries also have been named in proceedings under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and similar federal, state, local and foreign environmental laws. These environmental proceedings seek funding or performance of remediation and, in some cases, compensation for alleged property damage, punitive damages and civil penalties; however, Occidental is usually one of many companies in these proceedings and has to date been successful in sharing response costs with other financially sound companies. With respect to all such lawsuits, claims and proceedings, including environmental proceedings, Occidental accrues reserves when it is probable a liability has been incurred and the amount of loss can be reasonably estimated.

Since April 2004, OxyChem has been served with eight lawsuits filed in Nicaragua by approximately 2,200 individual plaintiffs. These individuals allege that they have sustained several billion dollars of personal injury damages as a result of their alleged exposure to a

pesticide. OxyChem is aware of, but has not been served in, 20 additional cases in Nicaragua, which Occidental understands make similar allegations. OxyChem has no assets in Nicaragua and, in the opinion of management, these claims are without merit because, among other things, OxyChem believes that none of the pesticide it manufactured was ever sold or used in Nicaragua. Under the applicable Nicaraguan statute, defendants are required to pay pre-trial deposits so large as to effectively prohibit defendants from participating fully in their defense. In previous situations, involving other defendants, Nicaraguan courts have proceeded to enter significant judgments against the defendants under that statute. OxyChem has filed a response to the complaints contesting jurisdiction without posting such pre-trial deposit. In December 2004, the judge in one of the cases (the "Osorio Case"), ruled the court had jurisdiction over the defendants, including OxyChem, and that the plaintiffs had waived the requirement of the pre-trial deposit. OxyChem has appealed that portion of the ruling relating to the jurisdiction of the Nicaraguan courts. Thereafter, the trial court ordered defendants, including OxyChem, to file an answer. In order to preserve its jurisdictional defense, OxyChem elected not to make a substantive appearance in the case. In August 2005, the judge in the Osorio case entered judgment against several defendants, including OxyChem, for damages totaling approximately \$97 million. In the opinion of management, any judgment rendered under the statute, including in the Osorio case, would be unenforceable in the United States.

In September 2004, Occidental received formal notification that Petroecuador, the state oil company of Ecuador, was initiating proceedings to determine if Occidental had violated either its Participation Contract for Block 15 or the Ecuadorian Hydrocarbons Law and whether the alleged violations constitute grounds for terminating the Participation Contract. Block 15 operations represent approximately 7 percent of Occidental's 2005 consolidated production, 4 percent of its proved consolidated reserves, and 2 percent of its total PP&E, net of accumulated DD&A. In August 2005, Petroecuador issued a report recommending that the Minister of Energy declare the termination of Occidental's Participation Contract for Block 15. The principal allegation stated in the notice and the Petroecuador report is an assertion that Occidental should have obtained government approval for the farmout agreement entered into in 2000. In November 2005, the Minister of Energy, following the procedure set forth in the Ecuadorian Hydrocarbons Law, requested that Occidental respond to the allegations against it. In February 2006, Occidental submitted its response to the Minister of Energy, in which Occidental confirmed its belief that it has complied with all material obligations under the Participation Contract and Ecuadorian law, and that any termination of the contract based upon the stated allegations would be unfounded and would constitute an unlawful expropriation. Occidental has been cooperating with the Ecuadorian authorities in these proceedings, and will continue to strive for an

amicable resolution. Occidental currently is unable to determine the outcome of these proceedings, but if there were to be a negotiated settlement, it is probable that the terms would effectively reduce the future profitability of Block 15 operations. See also "Off-Balance-Sheet Arrangements — Ecuador" for information about the OCP pipeline.

During the course of its operations, Occidental is subject to audit by tax authorities for varying periods in various federal, state, local and foreign tax jurisdictions. Disputes may arise during the course of such audits as to facts and matters of law. In May 2005, Occidental entered into a closing agreement with the IRS resolving certain foreign tax credit issues as part of the IRS audit of tax years 1997-2000. The closing agreement was completed after an extensive IRS review of various complex tax issues and negotiations between Occidental and the IRS. As a result of the closing agreement, Occidental recorded a tax benefit of \$619 million in 2005 for the reversal of tax reserves that were previously established for those foreign tax credit issues. In addition, Occidental recorded a tax benefit of \$335 million in 2005 due to the reversal of tax reserves no longer required as United States corporate returns for tax years 1998-2000 became closed due to the lapsing of the statute of limitations. These tax benefits did not have a significant current cash effect.

Occidental has entered into agreements providing for future payments to secure terminal and pipeline capacity, drilling services, electrical power, steam and certain chemical raw materials. See Note 9 of the Consolidated Financial Statements for further discussion. See "Off-Balance-Sheet Arrangements — Contractual Obligations" for further information.

Occidental has certain other commitments under contracts, guarantees and joint ventures, including purchase commitments for goods and services at market-related prices and certain other contingent liabilities. See "Off-Balance-Sheet Arrangements" for further information. Some of these commitments, although not fixed or determinable, involve capital expenditures and are part of the \$3.0 billion capital expenditures estimated for 2006.

Occidental has indemnified various parties against specified liabilities that those parties might incur in the future in connection with purchases and other transactions that they have entered into with Occidental. These indemnities usually are contingent upon the other party incurring liabilities that reach specified thresholds. As of December 31, 2005, Occidental is not aware of circumstances that would lead to future indemnity claims against it for material amounts in connection with these transactions.

It is impossible at this time to determine the ultimate liabilities that OPC and its subsidiaries may incur resulting from any lawsuits, claims and proceedings, audits, commitments, contingencies and related matters. If these matters were to be ultimately resolved unfavorably at amounts substantially exceeding Occidental's reserves, an outcome not currently

anticipated, it is possible that such outcome could have a material adverse effect upon Occidental's consolidated financial position or results of operations. However, after taking into account reserves, management does not expect the ultimate resolution of any of these matters to have a material adverse effect upon Occidental's consolidated financial position or results of operations.

ENVIRONMENTAL LIABILITIES AND EXPENDITURES

Occidental's operations in the United States are subject to stringent federal, state and local laws and regulations relating to improving or maintaining environmental quality. Foreign operations also are subject to environmental protection laws. Costs associated with environmental compliance have increased over time and are expected to rise in the future. Environmental expenditures related to current operations are factored into the overall business planning process and are considered an integral part of production in manufacturing quality products responsive to market demand.

Environmental Remediation

The laws that require or address environmental remediation may apply retroactively to past waste disposal practices and releases. In many cases, the laws apply regardless of fault, legality of the original activities or current ownership or control of sites. OPC or certain of its subsidiaries are currently participating in environmental assessments and cleanups under these laws at federal Superfund sites, comparable state sites and other domestic and foreign remediation sites, including Occidental facilities and previously owned sites. Also, OPC and certain of its subsidiaries have been involved in a substantial number of governmental and private proceedings involving historical practices at various sites including, in some instances, having been named in proceedings under CERCLA and similar federal, state and local environmental laws. These proceedings seek funding or performance of remediation and, in some cases, compensation for alleged property damage, punitive damages and civil penalties.

Occidental manages its environmental remediation efforts through a wholly owned subsidiary, Glenn Springs Holdings, Inc., which reports its results directly to Occidental's corporate management.

The following table presents Occidental's environmental remediation reserves at December 31, 2005, 2004 and 2003 grouped by three categories of environmental remediation sites:

\$ amounts in millions	2005		2004		2003	
	# of Sites	Reserve Balance	# of Sites	Reserve Balance	# of Sites	Reserve Balance
CERCLA & equivalent sites	128	\$ 236	125	\$ 239	131	\$ 240
Active facilities	18	114	16	75	13	79
Closed or sold facilities	39	68	39	61	39	53
TOTAL	185	\$ 418	180	\$ 375	183	\$ 372

The following table shows environmental reserve activity for the past three years:

In millions	2005	2004	2003
Balance - Beginning of Year	\$ 375	\$ 372	\$ 393
Increases to provision including interest accretion	63	60	64
Changes from acquisitions	45	6	—
Payments	(71)	(63)	(83)
Other	6	—	(2)
Balance - End of Year	\$ 418	\$ 375	\$ 372

Occidental expects to expend funds equivalent to about half of the current environmental reserve over the next three years and the balance over the next ten or more years. Occidental believes it is reasonably possible that it will continue to incur additional liabilities beyond those recorded for environmental remediation at these and other sites. The range of reasonably possible loss for existing environmental remediation matters could be up to \$420 million beyond the amount accrued.

For management's opinion, refer to the "Lawsuits, Claims, Commitments, Contingencies and Related Matters" section above.

CERCLA and Equivalent Sites

At December 31, 2005, OPC or certain of its subsidiaries have been named in 128 CERCLA or state equivalent proceedings, as shown below.

Description (\$ amounts in millions)	# of Sites	Reserve Balance
Minimal/No exposure ^(a)	105	\$ 4
Reserves between \$1-10 MM	15	44
Reserves over \$10 MM	8	188
TOTAL	128	\$ 236

(a) Includes 28 sites for which Maxus Energy Corporation has retained the liability and indemnified Occidental, 7 sites where Occidental has denied liability without challenge, 57 sites where Occidental's reserves are less than \$50,000 each, and 13 sites where reserves are between \$50,000 and \$1 million each.

The eight sites with individual reserves over \$10 million in 2005 include a former copper mining and smelting operation in Tennessee, two closed landfills in western New York, groundwater treatment facilities at four closed chemical plants (Montague, Michigan, Hicksville, New York, western New York and Tacoma, Washington) and replacement of a municipal drinking water treatment plant in western New York.

Active Facilities

Certain subsidiaries of OPC are currently addressing releases of substances from past operations at 18 active facilities. Five facilities — a chemical plant in Louisiana, a phosphorus recovery operation in Tennessee, a chemical plant in Texas, a chemical plant in Kansas and certain oil and gas properties in the southwestern United States — account for 76 percent of the reserves associated with these facilities.

Closed or Sold Facilities

There are 39 sites formerly owned or operated by certain subsidiaries of OPC that have ongoing environmental remediation requirements in which Occidental or its subsidiaries are involved. Four sites account for 63 percent of the reserves associated with this group. The four sites are: an active refinery in Louisiana where Occidental indemnifies the current owner and operator for certain remedial actions, a water treatment facility at a former coal mine in Pennsylvania, a closed OxyChem chemical plant in Pennsylvania and a water treatment facility at a former OxyChem chemical plant in North Carolina.

Environmental Costs

Occidental's costs, some of which may include estimates, relating to compliance with environmental laws and regulations, are shown below for each segment:

In millions	2005	2004	2003
Operating Expenses			
Oil and Gas	\$ 71	\$ 54	\$ 40
Chemical	67	59	55
	\$ 138	\$ 113	\$ 95
Capital Expenditures			
Oil and Gas	\$ 47	\$ 48	\$ 98
Chemical	21	12	15
	\$ 68	\$ 60	\$ 113
Remediation Expenses			
Corporate	\$ 62	\$ 59	\$ 63

Operating expenses are incurred on a continual basis. Capital expenditures relate to longer-lived improvements in currently operating facilities. Remediation expenses relate to existing conditions caused by past operations and do not contribute to current or future revenue generation. Although total costs may vary in any one year, over the long term, segment operating and capital expenditures for environmental compliance generally are expected to increase.

Occidental presently estimates that capital expenditures for environmental compliance will be approximately \$79 million for 2006 and \$77 million for 2007.

FOREIGN INVESTMENTS

Portions of Occidental's assets outside North America are exposed to political and economic risks. Occidental conducts its financial affairs so as to mitigate its exposure against those risks. At December 31, 2005, the carrying value of Occidental's assets in countries outside North America aggregated approximately \$5.2 billion, or approximately 20 percent of Occidental's total assets at that date. Of such assets, approximately \$3.9 billion are located in the Middle East/North Africa, approximately \$1.0 billion are located in Latin America, and substantially all of the remainder are located in the Other Eastern Hemisphere region. For the year ended December 31, 2005, net sales outside North America totaled \$4.4 billion, or approximately 29 percent of total net sales.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The process of preparing financial statements in accordance with GAAP requires the management of Occidental to make estimates and judgments regarding certain items and transactions. It is possible that materially different amounts could be recorded if these estimates and judgments change or if the actual results differ from these estimates and judgments. Occidental considers the following to be its most critical accounting policies and estimates that involve the judgment of Occidental's management. There has been no material change to these policies over the past three years. The selection and development of these critical accounting policies and estimates have been discussed with the Audit Committee of the Board of Directors.

Oil and Gas Properties

Occidental uses the successful efforts method to account for its oil and gas properties. Under this method, costs of acquiring properties, costs of drilling successful exploration wells and development costs are capitalized. The costs of exploratory wells are initially capitalized pending a determination of whether proved reserves have been found. At the completion of drilling activities, the costs of exploratory wells remain capitalized if a determination is made that proved reserves have been found. If no proved reserves have been found, the costs of each of the related exploratory wells are charged to expense. In some cases, a determination of proved reserves cannot be made at the completion of drilling, requiring additional testing and evaluation of the wells. Occidental's practice is to expense the costs of such exploratory wells if a determination of proved reserves has not been made within a twelve-month period after drilling is complete. Occidental has no proved oil and gas reserves for which the determination of commercial viability is subject to the completion of major additional capital expenditures. Annual lease rentals and exploration, geological, geophysical and seismic costs are expensed as incurred.

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas, and NGLs that geological and engineering data demonstrate, with reasonable certainty, can be recovered in future years from known reservoirs under existing economic and operating conditions considering future production and development costs.

Several factors could change Occidental's recorded oil and gas reserves. Occidental receives a share of production from PSCs to recover its costs and an additional share for profit. Occidental's share of production from these contracts decreases when oil prices rise and increases when oil prices decline. Overall, Occidental's net economic benefit from these contracts is greater at higher oil prices. In other contractual arrangements, sustained lower product prices may lead to a situation where production of proved reserves becomes uneconomical. Estimation of future production and development costs is also subject

to change partially due to factors beyond Occidental's control, such as energy costs and inflation or deflation of oil field service costs. These factors, in turn, could lead to a reduction in the quantity of recorded proved reserves. PSCs also affect reserves. As prices increase, Occidental's share of proved recorded reserves decreases while a decrease in price causes recorded proved reserves to increase. An additional factor that could result in a change of proved reserves is the reservoir decline rates being different from those assumed when the reserves were initially recorded. Occidental's revisions to proved reserves were negative for 2005 and amounted to less than 2 percent of the total reserves for the year. The negative revisions in 2005 were primarily a result of PSC price effects. In 2004 and 2003, revisions to proved reserves were positive and amounted to less than 2 percent of the total reserves for each year. Additionally, Occidental is required to perform impairment tests pursuant to Statement of Financial Accounting Standards (SFAS) No. 144 generally when prices decline and/or reserve estimates change significantly. There have been no impairments of reserves over the past three years.

If Occidental's consolidated oil and gas reserves were to change based on the factors mentioned above, the most significant impact would be on the depreciation and depletion rate. For example, a 5-percent increase in the amount of consolidated oil and gas reserves would change the rate from \$6.13 per barrel to \$5.82 per barrel, which would increase pre-tax income by \$61 million annually. A 5-percent decrease in the oil and gas reserves would change the rate from \$6.13 per barrel to \$6.43 per barrel and would result in a decrease in pre-tax income of \$61 million annually.

DD&A of oil and gas producing properties is determined by the unit-of-production method and could change with revisions to estimated proved reserves. The change in the DD&A rate over the past three years due to revisions of previous proved reserve estimates has been immaterial.

A portion of the carrying value of Occidental's oil and gas properties is attributable to unproved properties. At December 31, 2005, the capitalized costs attributable to unproved properties, net of accumulated valuation allowance, were \$788 million. These costs are not currently being depreciated or depleted. As exploration and development work progresses and the reserves on these properties are proven, capitalized costs attributable to the properties will be subject to depreciation and depletion. If the exploration and development work were to be unsuccessful, the capitalized costs of the properties related to this unsuccessful work would be expensed in the year in which the determination was made. The timing of any writedowns of these unproven properties, if warranted, depends upon the nature, timing and extent of future exploration and development activities and their results. Occidental believes its exploration and development efforts will allow it to realize the unproved property balance.

Chemical Assets

The most critical accounting policy affecting Occidental's chemical assets is the determination of the estimated useful lives of its PP&E. Occidental's chemical plants are depreciated using either the unit-of-production or straight-line method based upon the estimated useful life of the facilities. The estimated useful lives of Occidental's chemical assets, which range from 3 years to 50 years, are used to compute depreciation expense and are also used for impairment tests. The estimated useful lives used for the chemical facilities are based on the assumption that Occidental will provide an appropriate level of annual expenditures to ensure productive capacity is sustained. Without these continued expenditures, the useful lives of these plants could significantly decrease. Other factors that could change the estimated useful lives of Occidental's chemical plants include sustained higher or lower product prices, which are particularly affected by both domestic and foreign competition, feedstock costs, energy prices, environmental regulations, competition and technological changes. Over the prior three years, the change in the depreciation rate due to changes in estimated useful lives has been immaterial.

Occidental performs impairment tests on its assets whenever events or changes in circumstances lead to a reduction in the estimated useful lives or estimated future cash flows that would indicate that the carrying amount may not be recoverable, or when management's plans change with respect to those assets. Occidental compares the undiscounted future cash flows of an asset to its carrying value. The key factors that could significantly affect future cash flows are future product prices, which are particularly affected by both domestic and foreign competition, feedstock costs, energy costs, significantly increased regulation and remaining estimated useful life.

Due to a temporary decrease in demand for some of its products, Occidental temporarily idled an EDC plant in June 2001 and a chlor-alkali plant in December 2001. Subsequent to the purchase of the Vulcan chemical assets, Occidental reviewed all of its chemical assets and decided to close its least competitive plants and upgrade the remaining operations. As a result of this review, Occidental recorded a \$139 million pre-tax charge for the write-off of these two previously idled chemical plants and one currently operated plant and a pre-tax additional charge of \$20 million for the writedown of another chemical plant in 2005.

Occidental's net PP&E for chemicals is approximately \$2.6 billion and its depreciation expense for 2006 is expected to be approximately \$240 million. If the estimated useful lives of Occidental's chemical plants were to decrease based on the factors mentioned above, the most significant impact would be on depreciation expense. For example, a reduction in the remaining useful lives of one year would increase depreciation and reduce pre-tax earnings by approximately \$21 million per year.

Environmental Liabilities and Expenditures

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Reserves for estimated costs that relate to existing conditions caused by past operations and that do not contribute to current or future revenue generation are recorded when environmental remedial efforts are probable and the costs can be reasonably estimated. In determining the reserves and the reasonably possible range of loss, Occidental refers to currently available information, including relevant past experience, available technology, regulations in effect, the timing of remediation and cost-sharing arrangements. The environmental reserves are based on management's estimate of the most likely cost to be incurred and are reviewed periodically and adjusted as additional or new information becomes available. Environmental reserves are recorded on a discounted basis only when a reserve is initially established and the aggregate amount of the estimated costs for a specific site and the timing of cash payments are reliably determinable. The reserve methodology for a specific site is not modified once it has been established. Recoveries and reimbursements are recorded in income when receipt is probable. For the years ended December 31, 2005 and 2004, Occidental has not accrued any reimbursements or indemnification recoveries for environmental remediation matters as assets.

Many factors could result in changes to Occidental's environmental reserves and reasonably possible range of loss. The most significant are:

- The original cost estimate may have been inaccurate.
- Modified remedial measures might be necessary to achieve the required remediation results. Occidental generally assumes that the remedial objective can be achieved using the most cost-effective technology reasonably expected to achieve that objective. Such technologies may include air sparging or phytoremediation of shallow groundwater, or limited surface soil removal or in-situ treatment producing acceptable risk assessment results. Should such remedies fail to achieve remedial objectives, more intensive or costly measures may be required.
- The remedial measure might take more or less time than originally anticipated to achieve the required contaminant reduction. Site-specific time estimates can be affected by factors such as groundwater capture rates, anomalies in subsurface geology, interactions between or among water-bearing zones and non-water-bearing zones, or the ability to identify and control contaminant sources.
- The regulatory agency might ultimately reject or modify Occidental's proposed remedial plan and insist upon a different course of action.

Additionally, other events might occur that could affect Occidental's future remediation costs, such as:

- The discovery of more extensive contamination than had been originally anticipated. For some sites with impacted groundwater, accurate definition of contaminant plumes requires years of monitoring data and computer modeling. Migration of contaminants may follow unexpected pathways along geologic anomalies that could initially go undetected. Additionally, the size of the area requiring remediation may change based upon risk assessment results following site characterization or interim remedial measures.
- Improved remediation technology might decrease the cost of remediation. In particular, for groundwater remediation sites with projected long-term operation and maintenance, the development of more effective treatment technology, or acceptance of alternative and more cost-effective treatment methodologies such as bioremediation, could significantly affect remediation costs.
- Laws and regulations might change to impose more or less stringent remediation requirements.

At sites involving multiple parties, Occidental provides environmental reserves based upon its expected share of liability. When other parties are jointly liable, the financial viability of the parties, the degree of their commitment to participate and the consequences to Occidental of their failure to participate are evaluated when estimating Occidental's ultimate share of liability. Based on these factors, Occidental believes that it will not be required to assume a share of liability of other potentially responsible parties, with whom it is alleged to be jointly liable, in an amount that would have a material effect on Occidental's consolidated financial position, liquidity or results of operations.

Most cost sharing arrangements with other parties fall into one of the following three categories:

Category 1: CERCLA or state-equivalent sites wherein Occidental and other alleged potentially responsible parties share the cost of remediation in accordance with negotiated or prescribed allocations;

Category 2: Oil and gas joint ventures wherein each joint venture partner pays its proportionate share of remedial cost; and

Category 3: Contractual arrangements typically relating to purchases and sales of property wherein the parties to the transaction agree to methods of allocating the costs of environmental remediation.

In all three of these categories, Occidental records as a reserve its expected net cost of remedial activities, as adjusted by recognition for any nonperforming parties.

In addition to the costs of investigating and implementing remedial measures, which often take in excess of ten years at CERCLA sites, Occidental's reserves include management's estimates of the cost of

operation and maintenance of remedial systems. To the extent that the remedial systems are modified over time in response to significant changes in site-specific data, laws, regulations, technologies or engineering estimates, Occidental reviews and changes the reserves accordingly on a site-specific basis.

If the environmental reserve balance were to either increase or decrease based on the factors mentioned above, the amount of the increase or decrease would be immediately recognized in earnings. For example, if the reserve balance were to decrease by 10 percent, Occidental would record a pre-tax gain of \$42 million. If the reserve balance were to increase by 10 percent, Occidental would record an additional remediation expense of \$42 million.

Other Loss Contingencies

Occidental is involved with numerous lawsuits, claims, proceedings and audits in the normal course of its operations. Occidental records a loss contingency for these matters when it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. In addition, Occidental discloses, in aggregate, its exposure to loss in excess of the amount recorded on the balance sheet for these matters if it is reasonably possible that an additional material loss may be incurred. Occidental reviews its loss contingencies on an ongoing basis so that they are adequately reserved on the balance sheet.

These reserves are based on judgments made by management with respect to the likely outcome of these matters and are adjusted as appropriate. Management's judgments could change based on new information, changes in laws or regulations, changes in management's plans or intentions, the outcome of legal proceedings, settlements or other factors.

SIGNIFICANT ACCOUNTING CHANGES

Listed below are significant changes in accounting principles.

EITF Issue No. 04-13

In September 2005, the Emerging Issues Task Force (EITF) finalized the provisions of EITF Issue No. 04-13, "Accounting for Purchases and Sales of Inventory with the Same Counterparty", which provides accounting guidance about whether buy/sell arrangements should be accounted for at historical cost and whether these arrangements should be reported on a gross or net basis. Buy/sell arrangements typically are contractual arrangements where the buy and sell agreements are entered into in contemplation of one another with the same counterparty. Occidental reports all buy/sell arrangements on a net basis and at historical cost. This EITF is effective in the first interim period beginning after March 15, 2006, and Occidental will prospectively adopt this statement in the second quarter of 2006. Occidental is currently assessing the effect of EITF Issue No. 04-13, but does not expect it to have a material effect on its financial statements.

FIN No. 47

In March 2005, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. (FIN) 47, "Accounting for Conditional Asset Retirement Obligations." FIN 47 specifies the accounting treatment for conditional asset retirement obligations under the provisions of SFAS No. 143. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. Occidental has identified conditional asset retirement obligations at a certain number of its facilities that are mainly related to plant decommissioning. Under FIN 47, which Occidental adopted on December 31, 2005, Occidental is required to record the fair value of these conditional liabilities if they can be reasonably estimated. However, Occidental believes that there is an indeterminate settlement date for these asset retirement obligations because the range of time over which Occidental may settle these obligations is unknown or cannot be estimated. Therefore, Occidental cannot reasonably estimate the fair value of these liabilities. Occidental will recognize these conditional asset retirement obligations in the periods in which sufficient information becomes available to reasonably estimate their fair values.

SFAS No. 123R

On July 1, 2005, Occidental early adopted the fair value recognition provisions of SFAS No. 123R (SFAS 123R), "Share-Based Payments", under the modified prospective transition method. Since most of Occidental's existing stock-based compensation was already being recorded in the income statement, Occidental decided to early adopt SFAS 123R, so that the remaining awards would be accounted for in a similar manner. Prior to July 1, 2005, Occidental applied the Accounting Principles Board (APB) Opinion No. 25 intrinsic value accounting method for its stock incentive plans. Under the modified prospective transition method, the fair value recognition provisions apply only to new awards or awards modified after July 1, 2005. Additionally, the fair value of existing unvested awards at the date of adoption is recorded in compensation expense over the remaining requisite service period. Results from prior periods have not been restated. As a result of adopting this statement in the third quarter of 2005, Occidental recorded a \$3 million after-tax credit as a cumulative effect of a change in accounting principles. See Note 12 to the Consolidated Financial Statements for more information.

FASB Staff Position No. (FSP) FAS 19-1

In April 2005, the FASB issued FASB Staff Position No. (FSP) FAS 19-1, "Accounting for Suspended Well Costs." FSP FAS 19-1 provides new accounting guidance that specifies when successful efforts companies can capitalize exploratory well costs. The guidance also requires new disclosures related to these costs. FSP FAS 19-1 is effective in the first reporting period beginning after April 4, 2005, and will be applied prospectively to existing and new exploratory well costs. Occidental adopted this statement effective July 1, 2005, and there was no material effect on the financial

statements upon adoption. See Note 1 to the Consolidated Financial Statements for the new disclosures.

SFAS No. 153

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets, an Amendment of APB Opinion No. 29." SFAS No. 153 specifies the criteria required to record a nonmonetary asset exchange using carryover basis. SFAS No. 153 is effective for nonmonetary asset exchanges occurring after July 1, 2005. Occidental adopted this statement in the third quarter of 2005 and there was no material effect on the financial statements upon adoption.

SFAS No. 151

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs, an amendment of Accounting Research Bulletin No. 43, Chapter 4." SFAS No. 151 clarifies the accounting treatment for various inventory costs and overhead allocations. SFAS No. 151 is effective for inventory costs incurred after July 1, 2005. Occidental adopted this statement in the third quarter of 2005 and it did not have a material effect on the financial statements when adopted.

FSP FAS 106-2

In May 2004, the FASB issued FSP FAS 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003," which specifies the accounting and disclosure requirements for the prescription drug benefits that are available under this new plan. Occidental adopted the disclosure provisions of this pronouncement in the second quarter of 2004. See Note 13 to the Consolidated Financial Statements for more information.

FIN 46-R (Revised)

In December 2003, the FASB revised FIN 46 to exempt certain entities from its requirements and to clarify certain issues arising during the initial implementation of FIN 46. Occidental adopted the revised interpretation in the first quarter of 2004 and it did not have a material impact on the financial statements when adopted.

SFAS No. 143

Effective January 1, 2003 Occidental adopted SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. See Note 1 to the Consolidated Financial Statements for more information.

The initial adoption of SFAS No. 143 on January 1, 2003 resulted in an after-tax charge of \$50 million, which was recorded as a cumulative effect of a change in accounting principles. The adoption increased net PP&E by \$73 million, increased asset retirement obligations by \$151 million and decreased deferred tax liabilities by \$28 million.

EITF Issue No. 02-3

In October 2002, Occidental adopted certain provisions of EITF Issue No. 02-3, "Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities." As a result of adopting EITF Issue No. 02-3, there were no changes to gross margins, net income, cash flow, or earnings per share for any period; however, net sales and cost of sales were reduced by equal and offsetting amounts to reflect the adoption of this requirement.

From 1999 to 2002, Occidental accounted for certain energy-trading contracts in accordance with EITF Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." EITF Issue No. 98-10 required that all energy-trading contracts must be marked to fair value with gains and losses included in earnings, whether the contracts were derivatives or not. In October 2002, the EITF rescinded EITF Issue No. 98-10 thus precluding mark-to-market accounting for all energy-trading contracts that are not derivatives and fair value accounting for inventories purchased from third parties. Also, the rescission requires derivative gains and losses to be presented net on the income statement, whether or not they are physically settled, if the derivative instruments are held for trading purposes. Occidental adopted this accounting change in the first quarter of 2003 and recorded an \$18 million after-tax charge as a cumulative effect of a change in accounting principles.

DERIVATIVE ACTIVITIES AND MARKET RISK**General**

Occidental's market risk exposures relate primarily to commodity prices and, to a lesser extent, interest rates and foreign currency exchange rates. Occidental periodically enters into derivative instrument transactions to reduce these price and rate fluctuations. A derivative is an instrument that, among other characteristics, derives its value from changes in another instrument or variable.

In general, the fair value recorded for derivative instruments is based on quoted market prices, dealer quotes and the Black Scholes or similar valuation models.

Commodity Price Risk**General**

Occidental's results are sensitive to fluctuations in crude oil and natural gas prices. Based on current levels of production, if oil prices vary overall by \$1 per barrel, it would have an estimated annual effect on pre-tax income of approximately \$150 million. If natural gas prices vary by \$0.25 per Mcf, it would have an estimated annual effect on pre-tax income of approximately \$42 million. If production levels change in the future, the sensitivity of Occidental's results to oil and gas prices also would change.

Occidental's results are also sensitive to fluctuations in chemical prices; however, changes in cost usually offset part of the effect of price changes on margins. If chlorine and caustic soda prices vary by \$10/ton, it would have approximately a \$15 million and \$30 million, respectively, pre-tax annual effect on income. If PVC

prices vary by \$.01/lb, it would have approximately a \$25 million pre-tax annual effect on income. If EDC prices vary by \$10/ton, it would have approximately a \$5 million pre-tax annual effect on income. Historically, price changes either precede or follow raw material and feedstock price changes; therefore, the margin improvement of price changes can be mitigated. According to Chemical Market Associates, Inc., December 2005 average contract prices were: chlorine—\$358/ton, caustic soda—\$455/ton, PVC—\$0.645/lb and EDC—\$250/ton.

Marketing and Trading Operations

Occidental periodically uses different types of derivative instruments to achieve the best prices for oil and gas. Derivatives are also used by Occidental to reduce its exposure to price volatility and to mitigate fluctuations in commodity-related cash flows. Occidental enters into low-risk marketing and trading activities through its separate marketing organization, which operates under established policy controls and procedures. With respect to derivatives used in its oil and gas marketing operations, Occidental utilizes a combination of futures, forwards, options and swaps to offset various physical transactions. Occidental's use of derivatives in marketing and trading activities relates primarily to managing cash flows from third-party purchases, which includes Occidental's periodic gas storage activities.

Risk Management

Occidental conducts its risk management activities for energy commodities (which include buying, selling, marketing, trading, and hedging activities) under the controls and governance of its Risk Control Policy. The Chief Financial Officer and the Risk Management Committee, comprising members of Occidental's management, oversee these controls, which are implemented and enforced by the Trading Control Officer. The Trading Control Officer provides an independent and separate check on results of marketing and trading activities. Controls for energy commodities include limits on credit, limits on trading, segregation of duties, delegation of authority and a number of other policy and procedural controls.

Fair Value of Marketing and Trading Derivative Contracts

The following tables reconcile the changes in the net fair value of Occidental's marketing and trading contracts, a portion of which are hedges, during 2005 and 2004 and segregate the open contracts at December 31, 2005 by maturity periods.

In millions	2005	2004
Fair value of contracts outstanding at beginning of year	\$ 30	\$ 32
Losses (gains) on changes for contracts realized or otherwise settled during the year	56	(94)
Changes in fair value attributable to changes in valuation techniques and assumptions	—	—
(Losses) gains or other changes in fair value	(543) ^(a)	92
Fair value of contracts outstanding at end of year	\$ (457)	\$ 30

(a) Primarily relates to production hedges.

Source of Fair Value	Maturity Periods				Total Fair Value
	2006	2007 to 2008	2009 to 2010	2011 and thereafter	
Prices actively quoted	\$ (42)	\$ (42)	\$ 4	\$ 5	\$ (75)
Prices provided by other external sources	1	(15)	7	(4)	(11)
Prices based on models and other valuation methods (a)	(42)	(133)	(137)	(59)	(371)
TOTAL	\$ (83)	\$ (190)	\$ (126)	\$ (58)	\$ (457)

(a) The underlying prices utilized for the 2006 and 2007 fair value calculation of the options are based on monthly NYMEX published prices. The underlying prices for years 2008 through 2011 are based on the year-end NYMEX published prices, as published monthly prices are not available. These prices are input into an industry standard options pricing model to determine fair value.

Production Hedges

During the first quarter of 2005, Occidental entered into a series of fixed price swaps and costless collar agreements that qualify as cash-flow hedges for the sale of its crude oil production. These hedges, which began in July 2005 and continue to the end of 2011, hedge less than 4 percent of Occidental's 2005 crude oil production. Information about these cash-flow hedges, which are included in the total fair value of (\$457) million in the table above, is presented in a tabular presentation below.

(Volumes in MBL/day)	Crude Oil Fixed Price Swaps		Crude Oil Costless Collars		
	Daily Volume	Average Price	Daily Volume	Average Floor	Average Cap
2006	10	\$41.61	6	\$41.33	\$48.05
2007	8	\$40.04	7	\$40.43	\$45.21
2008	—	—	14	\$34.07	\$47.47
2009	—	—	13	\$33.15	\$47.41
2010	—	—	12	\$33.00	\$46.35
2011	—	—	12	\$32.92	\$46.27

(\$ millions)	Crude Oil Fixed Price Swaps		Crude Oil Costless Collars		Total
Fair Value					
Liability (a)	(\$142)		(\$362)		(\$504)

(a) Fair value at December 31, 2005.

Quantitative Information

Occidental uses value at risk to estimate the potential effects of changes in fair values of commodity-based derivatives and commodity contracts used in marketing and trading activities. This method determines the maximum potential negative short-term change in fair value with a 95-percent level of confidence. The marketing and trading value at risk was immaterial during all of 2005.

Interest Rate Risk

General

Occidental's exposure to changes in interest rates relates primarily to its long-term debt obligations. In 2005, Occidental terminated all of its interest-rate swaps that were accounted for as fair-value hedges. These hedges had effectively converted approximately \$1.7 billion of fixed-rate debt to variable-rate debt. The fair value of the swaps at termination resulted in a gain of approximately \$20 million, which is being amortized into income over the remaining life of the previously hedged debt. The amount of interest expense recorded in the income statement was lower, as a result of the swaps and amortization of the deferred gain, by approximately \$21 million, \$56 million and \$58 million for the years ended December 31, 2005, 2004 and 2003, respectively.

Occidental was a party to a series of forward interest-rate locks, which qualified as cash-flow hedges. The hedges were related to the construction of a cogeneration plant leased by Occidental that was completed in December 2002. The unamortized loss on the hedges at December 31, 2005 was approximately \$19 million after-tax, which is recorded in accumulated OCI and is being recognized in earnings over the lease term of 26 years on a straight-line basis.

Certain of Occidental's equity investees have entered into additional derivative instruments that qualify as cash-flow hedges. Occidental reflects its proportionate share of these cash-flow hedges in OCI.

Tabular Presentation of Interest Rate Risk

In millions of U.S. dollars, except rates

The table below provides information about Occidental's debt obligations which are sensitive to changes in interest rates. Debt amounts represent principal payments by maturity date.

Year of Maturity	U.S. Dollar Fixed-Rate Debt	U.S. Dollar Variable-Rate Debt	Grand Total ^(a)
2006	\$ 46	\$ —	\$ 46
2007	157	—	157
2008	405	—	405
2009	221	299	520
2010	265	—	265
2011	—	68	68
Thereafter	1,402	47	1,449
TOTAL	\$ 2,496	\$ 414	\$ 2,910
Average interest rate	7.38%	4.11%	6.91%
Fair Value	\$ 2,939	\$ 414	\$ 3,353

(a) Excludes \$4 million of unamortized debt discounts and \$13 million of net unamortized gains related to the settled interest-rate swaps.

Credit Risk

Occidental's energy contracts are spread among several counterparties. Creditworthiness is reviewed before doing business with a new counterparty and on an ongoing basis. Occidental monitors aggregated counterparty exposure relative to credit limits, and manages credit-enhancement issues. Credit exposure for each customer is monitored for outstanding balances, current month activity, and forward mark-to-market exposure and losses associated with credit risk have been immaterial.

Foreign Currency Risk

A few of Occidental's foreign operations have currency risk. Occidental manages its exposure primarily by balancing monetary assets and liabilities and maintaining cash positions only at levels necessary for operating purposes. Most international crude oil sales are denominated in U.S. dollars. Additionally, all of Occidental's oil and gas consolidated foreign entities have the U.S. dollar as the functional currency. At December 31, 2005 and 2004, Occidental had not entered into any foreign currency derivative instruments. The effect of exchange-rate transactions in foreign currencies is included in periodic income and is immaterial.

SAFE HARBOR DISCUSSION REGARDING OUTLOOK AND OTHER FORWARD-LOOKING DATA

Portions of this report, including Items 1 and 2 and the information appearing under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations," including the information under the sub captions "Strategy," "Oil and Gas Segment — Industry Outlook," and "Chemical Segment — Industry Outlook," contain forward-looking statements and involve risks and uncertainties that could materially affect expected results of operations, liquidity, cash flows and business prospects. Words such as "estimate," "project," "predict," "will," "anticipate," "plan," "intend," "believe," "expect" or similar expressions that convey the uncertainty of future events or outcomes generally identify forward-looking statements. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this report. Unless legally required, Occidental does not undertake any obligation to update any forward-looking statements as a result of new information, future events or otherwise. Risks that may affect Occidental's results of operations and financial position appear in Part I, Item 1A "Risk Factors."

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MANAGEMENT'S ANNUAL ASSESSMENT OF AND REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Occidental Petroleum Corporation (Occidental) is responsible for establishing and maintaining adequate internal control over financial reporting. Occidental's system of internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. Occidental's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of Occidental's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that Occidental's receipts and expenditures are being made only in accordance with authorizations of Occidental's management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Occidental's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of Occidental's internal control system as of December 31, 2005 based on the criteria for effective internal control over financial reporting described in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management believes that, as of December 31, 2005, Occidental's system of internal control over financial reporting is effective.

Occidental's independent auditors, KPMG LLP, have issued an attestation report on management's assessment of Occidental's internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors and Stockholders
Occidental Petroleum Corporation:

We have audited the accompanying consolidated balance sheets of Occidental Petroleum Corporation and subsidiaries (the Company) as of December 31, 2005 and 2004, and the related consolidated statements of income, stockholders' equity, comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2005. In connection with our audits of the consolidated financial statements, we also have audited the accompanying financial statement schedule. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Occidental Petroleum Corporation and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As explained in Note 4 to the consolidated financial statements, effective July 1, 2005, the Company changed its method of accounting for share-based payments. Effective January 1, 2003, the Company changed its method of accounting for inventories purchased from third parties and its method of accounting for asset retirement obligations. Effective April 1, 2003, the Company changed its method of accounting for the consolidation of variable interest entities. Effective July 1, 2003, the Company changed its method of accounting for certain financial instruments with characteristics of both liabilities and equity.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Occidental Petroleum Corporation's internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2006 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

KPMG LLP

Los Angeles, California
February 28, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors and Stockholders
Occidental Petroleum Corporation:

We have audited management's assessment, included in the accompanying Management's Annual Assessment of and Report on Occidental's Internal Control Over Financial Reporting, that Occidental Petroleum Corporation and its subsidiaries (the Company) maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Occidental Petroleum Corporation and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, stockholders' equity, comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2005, and our report dated February 28, 2006 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Los Angeles, California
February 28, 2006

Consolidated Statements of Income

In millions, except per-share amounts

Occidental Petroleum Corporation
and Subsidiaries

For the years ended December 31,

	2005	2004	2003
REVENUES			
Net sales	\$ 15,208	\$ 11,368	\$ 9,240
Interest, dividends and other income	181	144	89
Gains on disposition of assets, net	870	1	32
	<u>16,259</u>	<u>11,513</u>	<u>9,361</u>
COSTS AND OTHER DEDUCTIONS			
Cost of sales (excludes depreciation, depletion and amortization of \$1,445 in 2005, \$1,263 in 2004 and \$1,137 in 2003)	5,534	4,509	3,897
Selling, general and administrative and other operating expenses	1,415	1,008	852
Total depreciation, depletion and amortization	1,485	1,303	1,175
Environmental remediation	62	59	63
Exploration expense	337	219	139
Interest and debt expense, net	293	260	332
	<u>9,126</u>	<u>7,358</u>	<u>6,458</u>
INCOME BEFORE TAXES AND OTHER ITEMS	7,133	4,155	2,903
Provision for domestic and foreign income and other taxes	2,020	1,708	1,231
Minority interest	73	75	62
(Income) loss from equity investments	(232)	(113)	9
Gain on Lyondell stock issuance	—	(121)	—
	<u>5,272</u>	<u>2,606</u>	<u>1,601</u>
INCOME FROM CONTINUING OPERATIONS	5,272	2,606	1,601
Discontinued operations, net	6	(38)	(6)
Cumulative effect of changes in accounting principles, net	3	—	(68)
	<u>5,281</u>	<u>2,568</u>	<u>1,527</u>
NET INCOME	\$ 5,281	\$ 2,568	\$ 1,527
BASIC EARNINGS PER COMMON SHARE			
Income from continuing operations	\$ 13.07	\$ 6.59	\$ 4.17
Discontinued operations, net	0.01	(0.10)	(0.01)
Cumulative effect of changes in accounting principles, net	0.01	—	(0.18)
	<u>\$ 13.09</u>	<u>\$ 6.49</u>	<u>\$ 3.98</u>
BASIC EARNINGS PER COMMON SHARE	\$ 13.09	\$ 6.49	\$ 3.98
DILUTED EARNINGS PER COMMON SHARE			
Income from continuing operations	\$ 12.89	\$ 6.50	\$ 4.12
Discontinued operations, net	0.01	(0.10)	(0.01)
Cumulative effect of changes in accounting principles, net	0.01	—	(0.18)
	<u>\$ 12.91</u>	<u>\$ 6.40</u>	<u>\$ 3.93</u>
DILUTED EARNINGS PER COMMON SHARE	\$ 12.91	\$ 6.40	\$ 3.93
DIVIDENDS PER COMMON SHARE	\$ 1.29	\$ 1.10	\$ 1.04

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheets

In millions

Occidental Petroleum Corporation
and Subsidiaries

Assets at December 31,	<u>2005</u>	<u>2004</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,189	\$ 1,199
Short-term investments	252	250
Trade receivables, net of reserves of \$27 in 2005 and 2004	2,571	1,882
Receivables from joint ventures, partnerships and other	570	353
Inventories	735	545
Prepaid expenses and other	257	202
Total current assets	<u>6,574</u>	<u>4,431</u>
 LONG-TERM RECEIVABLES, NET	 <u>377</u>	 <u>239</u>
 INVESTMENTS IN UNCONSOLIDATED ENTITIES	 <u>1,209</u>	 <u>1,727</u>
 PROPERTY, PLANT AND EQUIPMENT		
Oil and gas segment, successful efforts method	22,275	18,314
Chemical segment	4,869	4,476
Corporate and other	478	469
	27,622	23,259
Accumulated depreciation, depletion and amortization	(10,088)	(8,626)
	17,534	14,633
 OTHER ASSETS	 <u>414</u>	 <u>361</u>
	<u>\$ 26,108</u>	<u>\$ 21,391</u>

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheets

In millions, except share amounts

Occidental Petroleum Corporation
and Subsidiaries

Liabilities and Stockholders' Equity at December 31,	2005	2004
CURRENT LIABILITIES		
Current maturities of long-term debt and capital lease liabilities	\$ 46	\$ 459
Accounts payable	2,069	1,557
Accrued liabilities	1,635	1,034
Dividends payable	147	110
Domestic and foreign income taxes	383	263
Total current liabilities	4,280	3,423
LONG-TERM DEBT, NET OF CURRENT MATURITIES AND UNAMORTIZED DISCOUNT	2,873	3,345
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred and other domestic and foreign income taxes	962	1,248
Other	2,621	2,498
	3,583	3,746
CONTINGENT LIABILITIES AND COMMITMENTS		
MINORITY INTEREST	340	327
STOCKHOLDERS' EQUITY		
Common stock, \$.20 par value; authorized 500 million shares;		
outstanding shares: 2005 — 402,215,025 and 2004 — 396,727,424	80	79
Treasury stock: 2005 — 96,781 shares and 2004 — 0 shares	(8)	—
Additional paid-in capital	4,908	4,652
Retained earnings	10,425	5,664
Accumulated other comprehensive income	(373)	155
	15,032	10,550
	\$ 26,108	\$ 21,391

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Stockholders' Equity

In millions

Occidental Petroleum Corporation
and Subsidiaries

	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2002	\$ 75	\$ —	\$ 3,967	\$ 2,303	\$ (27)
Net income	—	—	—	1,527	—
Other comprehensive income, net of tax	—	—	—	—	77
Dividends on common stock	—	—	—	(300)	—
Issuance of common stock	—	—	11	—	—
Exercises of options and other, net	2	—	294	—	—
Balance, December 31, 2003	\$ 77	\$ —	\$ 4,272	\$ 3,530	\$ 50
Net income	—	—	—	2,568	—
Other comprehensive income, net of tax	—	—	—	—	105
Dividends on common stock	—	—	—	(434)	—
Issuance of common stock	—	—	8	—	—
Exercises of options and other, net	2	—	372	—	—
Balance, December 31, 2004	\$ 79	\$ —	\$ 4,652	\$ 5,664	\$ 155
Net income	—	—	—	5,281	—
Other comprehensive loss, net of tax	—	—	—	—	(528)
Dividends on common stock	—	—	—	(520)	—
Issuance of common stock	—	—	16	—	—
Exercises of options and other, net	1	—	240	—	—
Purchases of treasury stock	—	(8)	—	—	—
Balance, December 31, 2005	\$ 80	\$ (8)	\$ 4,908	\$ 10,425	\$ (373)

Consolidated Statements of Comprehensive Income

In millions

For the years ended December 31,	2005	2004	2003
Net income	\$ 5,281	\$ 2,568	\$ 1,527
Other comprehensive income (loss) items:			
Foreign currency translation adjustments ^(a)	(13)	3	38
Derivative mark-to-market adjustments ^(b)	(330)	7	2
Minimum pension liability adjustments ^(c)	(1)	—	13
Reclassification of realized gains ^(d)	(463)	—	—
Unrealized gains on securities ^(e)	279	95	24
Other comprehensive (loss) income, net of tax	(528)	105	77
Comprehensive income	\$ 4,753	\$ 2,673	\$ 1,604

^(a) Net of tax of \$13, \$(1) and \$15 in 2005, 2004 and 2003, respectively.

^(b) Net of tax of \$188, \$4 and \$1 in 2005, 2004 and 2003, respectively.

^(c) Net of tax of \$0, \$0 and \$7 in 2005, 2004 and 2003, respectively.

^(d) Net of tax of \$264 in 2005. Amount represents the recognition of the gain due to Valero Energy Corporation's acquisition of Premcor, Inc. and the subsequent sale of the Valero shares.

^(e) Net of tax of \$165, \$51 and \$13 in 2005, 2004 and 2003, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

In millions

Occidental Petroleum Corporation
and Subsidiaries

For the years ended December 31,

	2005	2004	2003
CASH FLOW FROM OPERATING ACTIVITIES			
Income from continuing operations	\$ 5,272	\$ 2,606	\$ 1,601
Adjustments to reconcile income to net cash provided by operating activities:			
Depreciation, depletion and amortization of assets	1,485	1,303	1,175
Reversal of tax reserves	(954)	(47)	—
Deferred income tax (benefit) provision	(75)	170	65
Other noncash charges to income	881	467	319
Gains on disposition of assets, net	(870)	(1)	(32)
(Income) loss from equity investments	(232)	(113)	9
Gain on Lyondell stock issuance	—	(121)	—
Dry hole and impairment expense	242	159	80
Changes in operating assets and liabilities:			
Increase in accounts and notes receivable	(689)	(1,081)	(223)
Increase in inventories	(127)	(94)	(2)
Increase in prepaid expenses and other assets	(37)	(57)	(48)
Increase in accounts payable and accrued liabilities	489	725	84
Increase in current domestic and foreign income taxes	202	130	231
Other operating, net	(250)	(168)	(185)
Net cash provided by operating activities	5,337	3,878	3,074
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditures	(2,423)	(1,843)	(1,600)
Sale of businesses and disposal of property, plant and equipment, net	185	9	70
Purchase of businesses, net	(2,126)	(208)	(351)
Purchase of short-term investments	(185)	(260)	(122)
Sale of short-term investments	183	120	12
Sales of equity investments and available-for-sale investments	1,122	—	—
Equity investments and other, net	83	(246)	(140)
Net cash used by investing activities	(3,161)	(2,428)	(2,131)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from long-term debt	236	60	297
Payments of long-term debt and capital lease liabilities	(1,134)	(239)	(631)
Proceeds from issuance of common stock	13	7	10
Purchase of treasury stock	(8)	—	—
Repurchase of trust preferred securities	—	(466)	(2)
Cash dividends paid	(483)	(424)	(392)
Stock options exercised	126	238	200
Excess tax benefits related to share-based payments	36	—	—
Other financing, net	28	—	2
Net cash used by financing activities	(1,186)	(824)	(516)
Increase in cash and cash equivalents	990	626	427
Cash and cash equivalents — beginning of year	1,199	573	146
Cash and cash equivalents — end of year	\$ 2,189	\$ 1,199	\$ 573

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

Occidental Petroleum Corporation
and Subsidiaries

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

In these Notes, the term "Occidental" or "the Company" refers to Occidental Petroleum Corporation (OPC) and/or one or more entities where it owns a majority voting interest. Occidental is a multinational organization whose principal business segments are oil and gas and chemical. The oil and gas segment explores for, develops, produces and markets crude oil and natural gas. The chemical segment manufactures and markets basic chemicals, vinyls and performance chemicals.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of OPC, entities in which it owns a majority voting interest, variable-interest entities (VIE) in which it is the primary beneficiary and its undivided interests in oil and gas exploration and production ventures. Occidental's proportionate share of oil and gas exploration and production ventures, in which it has a direct working interest, is accounted for by reporting its proportionate share of assets, liabilities, revenues, costs and cash flows within the relevant lines on the balance sheets, income statements and cash flow statements.

In addition, certain financial statements, notes and supplementary data for prior years have been reclassified to conform to the 2005 presentation.

INVESTMENTS IN UNCONSOLIDATED ENTITIES

Investments in unconsolidated entities include both equity method and available-for-sale investments. Amounts representing Occidental's percentage interest in the underlying net assets of affiliates (excluding undivided interests in oil and gas exploration and production ventures) in which it does not have a majority voting interest but as to which it exercises significant influence, are accounted for under the equity method. Occidental records its share of gains or losses that arise from equity-method investee stock issuances in the income statement. Occidental reviews equity method investments for impairment whenever events or changes in circumstances indicate that an other-than-temporary decline in value has occurred. The amount of impairment, if any, is based on quoted market prices, where available, or other valuation techniques, including discounted cash flows.

Investments in which Occidental does not exercise significant influence are accounted for as available-for-sale investments and are carried at fair value, based on quoted market prices, with unrealized gains and losses reported in other comprehensive income (OCI), net of taxes, until such investment is realized. In disposal, the accumulated unrealized gain or loss included in OCI is transferred to income.

REVENUE RECOGNITION

Revenue is recognized from oil and gas production when title has passed to the customer, which occurs when the product is shipped. Revenue from marketing and trading activities is recognized on settled transactions, upon completion of contract terms and for physical deliveries upon title transfer. For unsettled transactions, contracts that meet specified accounting criteria are marked to market. Revenue from all marketing and trading activities, including revenue from buy/sell arrangements with the same counterparty, is reported on a net basis.

Revenue from chemical product sales is recognized when the product is shipped and title has passed to the customer. Prices are fixed at the time of shipment. Customer incentive programs provide for payments or credits to be made to customers based on the volume of product purchased over a defined period. Total customer incentive payments over a given period are estimated and recorded as a reduction to revenue ratably over the contract period. Such estimates are evaluated and revised as warranted.

RISKS AND UNCERTAINTIES

The process of preparing consolidated financial statements in conformity with United States generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts, generally not by material amounts. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of Occidental's financial position and results of operations.

Included in the accompanying consolidated balance sheet are deferred tax assets of \$1.1 billion as of December 31, 2005, the noncurrent portion of which is netted against deferred income tax liabilities. Realization of these assets is dependent upon Occidental generating sufficient future taxable income. Occidental expects to realize the recorded deferred tax assets through future operating income and reversal of taxable temporary differences.

The accompanying consolidated financial statements include assets of approximately \$5.2 billion as of December 31, 2005, and net sales of approximately \$4.4 billion for the year ended December 31, 2005, relating to Occidental's operations in countries outside North America. Some of these countries may be considered politically and economically unstable. These assets and the related operations are subject to the risk of actions by governmental authorities and insurgent groups. Occidental attempts to conduct its financial affairs so as to mitigate its exposure against such risks and would seek compensation in the event of nationalization.

Since Occidental's major products are commodities, significant changes in the prices of oil and gas and chemical products may have a significant impact on Occidental's results of operations for any particular year.

Also, see "Property, Plant and Equipment" below.

CASH AND CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments that are readily convertible to cash. Cash equivalents totaled approximately \$2.2 billion and \$1.2 billion at December 31, 2005 and 2004, respectively.

SHORT-TERM INVESTMENTS

In 2005, Occidental reclassified its auction rate security investments from cash and cash equivalents to short-term investments on its consolidated balance sheets. These investments contain a short-term repricing feature. As a result, their carrying values approximate their fair values. There have been no realized gains or losses on these investments during 2005 or 2004. Prior period financial statements have been reclassified to conform to the current presentation. This reclassification resulted in no change to Occidental's results of operations or cash flow from operations for any period.

INVENTORIES

For the oil and gas segment, materials and supplies are valued at the lower of average cost or market. Inventories are reviewed periodically for obsolescence. Oil and natural gas liquids (NGLs) inventories and natural gas trading and storage inventory are valued at the lower of cost or market.

For the chemical segment, Occidental generally values its inventories using the last-in, first-out (LIFO) method as it better matches current costs and current revenue. Accordingly, Occidental accounts for most of its domestic inventories in its chemical business, other than materials and supplies, on the LIFO method. For other countries, Occidental uses the first-in, first-out (FIFO) method (if the costs of goods are specifically identifiable) or the average-cost method (if the costs of goods are not specifically identifiable). Occidental accounts for materials and supplies using a weighted average cost method.

PROPERTY, PLANT AND EQUIPMENT

Oil and Gas

Property additions and major renewals and improvements are capitalized at cost. Interest costs incurred in connection with major capital expenditures are capitalized and amortized over the lives of the related assets (see Note 16).

Occidental uses the successful efforts method to account for its oil and gas properties. Under this method, costs of acquiring properties, costs of drilling successful exploration wells and development costs are capitalized. The costs of exploratory wells are initially capitalized pending a determination of whether proved reserves have been found. At the completion of drilling activities, the costs of exploratory wells remain capitalized if a determination is made that proved reserves have been found. If no proved reserves have been found, the costs of each of the related exploratory wells are charged to expense. In some cases, a determination of proved reserves cannot be made at the completion of drilling, requiring additional testing and evaluation of the wells. Occidental's practice is to expense the costs of such exploratory wells if a determination of proved reserves has not been made within a twelve-month period after drilling is complete. Occidental has no proved oil and gas reserves for which the determination of commercial viability is subject to the completion of major additional capital expenditures. Annual lease rentals and exploration, geological, geophysical and seismic costs are expensed as incurred.

The following table summarizes the activity of capitalized exploratory well costs for the past three years:

In millions	2005	2004	2003
Balance — Beginning of Year	\$ 23	\$ 9	\$ 3
Additions to capitalized exploratory well costs pending the determination of proved reserves	46	22	7
Reclassifications to property, plant and equipment based on the determination of proved reserves	(9)	(4)	—
Capitalized exploratory well costs charged to expense	(14)	(4)	(1)
Balance — End of Year	\$ 46	\$ 23	\$ 9

The cost related to exploratory wells that have been capitalized longer than a twelve-month period was immaterial for 2005, 2004 and 2003.

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas, and NGLs that geological and engineering data demonstrate, with reasonable certainty, can be recovered in future years from known reservoirs under existing economic and operating conditions considering future production and development costs. Depreciation and depletion of oil and gas producing properties is determined by the unit-of-production method.

The carrying value of Occidental's property, plant and equipment (PP&E) is based on the cost incurred to acquire the PP&E, net of accumulated depreciation, depletion and amortization (DD&A) and net of any impairment charges. For acquisitions of a business, PP&E is determined by an allocation of total purchase price to the components on a relative fair-value basis. Occidental is required to perform impairment tests on its assets whenever events or changes in circumstances lead to a reduction in the estimated useful lives or estimated future cash flows that would indicate that the carrying amount may not be recoverable, or when management's plans change with respect to those assets. Occidental assesses assets for impairment by comparing undiscounted future cash flows of an asset to its carrying value. Impaired assets are written down to their estimated fair values, generally their estimated discounted future net pre-tax cash flows.

A portion of the carrying value of Occidental's oil and gas properties are attributable to unproved properties. At December 31, 2005, the capitalized costs attributable to unproved properties, net of accumulated valuation allowance, were \$788 million. These costs are not currently being depreciated or depleted. As exploration and development work progresses and the reserves on these properties are proven, capitalized costs attributable to the properties will be subject to depreciation and depletion. If the exploration and development work were to be unsuccessful, the capitalized costs of the properties related to this unsuccessful work would be expensed in the year in which the determination was made. The timing of any writedowns of these unproven properties, if warranted, depends upon the nature, timing and extent of future exploration and development activities and their results. Occidental believes its exploration and development efforts will allow it to realize the unproved property balance.

Chemical

Occidental's chemical plants are depreciated using either the unit-of-production or straight-line method based upon the estimated useful life of the facilities.

The estimated useful lives of Occidental's chemical assets, which range from 3 years to 50 years, are used to compute depreciation expense and are also used for impairment tests. The estimated useful lives used for the chemical facilities are based on the assumption that Occidental will provide an appropriate level of annual expenditures to ensure productive capacity is sustained. Without these continued expenditures, the useful lives of these plants could significantly decrease. Other factors which could change the estimated useful lives of Occidental's chemical plants include sustained higher or lower product prices, which are particularly affected by both domestic and foreign competition, feedstock costs, energy prices, environmental regulations, competition and technological changes.

Occidental performs impairment tests on its chemical assets whenever events or changes in circumstances lead to a reduction in the estimated useful lives or estimated future cash flows that would indicate that the carrying amount may not be recoverable, or when management's plans change with respect to those assets. Occidental compares the undiscounted future cash flows of an asset to its carrying value. The key factors that could significantly affect future cash flows are future product prices, which are particularly affected by both domestic and foreign competition, feedstock costs, energy costs, significantly increased regulation and remaining estimated useful life. Impaired assets are written down to their estimated fair values.

Due to a temporary decrease in demand for some of its products, Occidental temporarily idled an ethylene dichloride (EDC) plant in June 2001 and a chlor-alkali plant in December 2001. Subsequent to the purchase of the Vulcan Materials Company (Vulcan) chemical assets, Occidental reviewed all of its chemical assets and decided to close its least competitive plants and upgrade the remaining operations. As a result of this review, Occidental recorded a \$139 million pre-tax charge for the write-off of these two previously idled chemical plants and one currently operated plant and an additional pre-tax charge of \$20 million for the writedown of another chemical plant in 2005.

ACCRUED LIABILITIES—CURRENT

Accrued liabilities include accrued payroll, commissions and related expenses of \$304 million and \$246 million at December 31, 2005 and 2004, respectively.

ENVIRONMENTAL LIABILITIES AND EXPENDITURES

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Reserves for estimated costs that relate to existing conditions caused by past operations and that do not contribute to current or future revenue generation are recorded when environmental remedial efforts are probable and the costs can be reasonably estimated. In determining the reserves and the reasonably possible range of loss, Occidental refers to currently available information, including relevant past experience, available technology, regulations in effect, the timing of remediation and cost-sharing arrangements. The environmental reserves are based on management's estimate of the most likely cost to be incurred and are reviewed periodically and adjusted as additional or new information becomes available. Environmental reserves are recorded on a discounted basis only when a reserve is initially established and the aggregate amount of the estimated costs for a specific site and the timing of cash payments are reliably determinable. The reserve methodology for a specific site is not modified once it has been established. Recoveries and reimbursements are recorded in income when receipt is probable. For the years ended December 31, 2005 and 2004, Occidental has not accrued any reimbursements or indemnification recoveries for environmental remediation matters as assets.

Many factors could result in changes to Occidental's environmental reserves and reasonably possible range of loss. The most significant are:

- The original cost estimate may have been inaccurate.
- Modified remedial measures might be necessary to achieve the required remediation results. Occidental generally assumes that the remedial objective can be achieved using the most cost-effective technology reasonably expected to achieve that objective. Such technologies may include air sparging or phyto-remediation of shallow groundwater, or limited surface soil removal or in-situ treatment producing acceptable risk assessment results. Should such remedies fail to achieve remedial objectives, more intensive or costly measures may be required.
- The remedial measure might take more or less time than originally anticipated to achieve the required contaminant reduction. Site-specific time estimates can be affected by factors such as groundwater capture rates, anomalies in subsurface geology, interactions between or among water-bearing zones and non-water-bearing zones, or the ability to identify and control contaminant sources.
- The regulatory agency might ultimately reject or modify Occidental's proposed remedial plan and insist upon a different course of action.

Additionally, other events might occur that could affect Occidental's future remediation costs, such as:

- The discovery of more extensive contamination than had been originally anticipated. For some sites with impacted groundwater, accurate definition of contaminant plumes requires years of monitoring data and computer modeling. Migration of contaminants may follow unexpected pathways along geologic anomalies that could initially go undetected. Additionally, the size of the area requiring remediation may change based upon risk assessment results following site characterization or interim remedial measures.
- Improved remediation technology might decrease the cost of remediation. In particular, for groundwater remediation sites with projected long-term operation and maintenance, the development of more effective treatment technology, or acceptance of alternative and more cost-effective treatment methodologies such as bioremediation, could significantly affect remediation costs.
- Laws and regulations might change to impose more or less stringent remediation requirements.

At sites involving multiple parties, Occidental provides environmental reserves based upon its expected share of liability. When other parties are jointly liable, the financial viability of the parties, the degree of their commitment to participate and the consequences to Occidental of their failure to participate are evaluated when estimating Occidental's ultimate share of liability. Based on these factors, Occidental believes that it will not be required to assume a share of liability of other potentially responsible parties, with whom it is alleged to be jointly liable, in an amount that would have a material effect on Occidental's consolidated financial position, liquidity or results of operations.

Most cost sharing arrangements with other parties fall into one of the following three categories:

Category 1: Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) or state-equivalent sites wherein Occidental and other alleged potentially responsible parties share the cost of remediation in accordance with negotiated or prescribed allocations;

Category 2: Oil and gas joint ventures wherein each joint venture partner pays its proportionate share of remedial cost; and

Category 3: Contractual arrangements typically relating to purchases and sales of property wherein the parties to the transaction agree to methods of allocating the costs of environmental remediation.

In all three of these categories, Occidental records as a reserve its expected net cost of remedial activities, as adjusted by recognition for any nonperforming parties.

In addition to the costs of investigating and implementing remedial measures, which often take in excess of ten years at CERCLA sites, Occidental's reserves include management's estimates of the cost of operation and maintenance of remedial systems. To the extent that the remedial systems are modified over time in response to significant changes in site-specific data, laws, regulations, technologies or engineering estimates, Occidental reviews and changes the reserves accordingly on a site-specific basis.

ASSET RETIREMENT OBLIGATIONS

Occidental recognizes the fair value of a liability for an asset retirement obligation in the period in which the liability is incurred or becomes reasonably estimable and if there is a legal obligation to dismantle the asset and reclaim or remediate the property at the end of its useful life. The liability amounts are based on future retirement cost estimates and incorporate many assumptions such as expected economic recoveries of oil and gas, time to abandonment, future inflation rates and the adjusted risk free rate of interest. When the liability is initially recorded, Occidental capitalizes the cost by increasing the related PP&E balances. Over time, the liability is increased and expense is recognized for the change in its present value, and the initial capitalized cost is depreciated over the useful life of the asset. No market risk premium has been included in Occidental's liability since no reliable estimate can be made at this time. See Note 4.

The following table summarizes the activity of the asset retirement obligation, of which \$228 million and \$199 million is included in deferred credits and other liabilities - other, with the remaining current portion in accrued liabilities at December 31, 2005 and 2004, respectively.

For the years ended December 31, (in millions)	2005	2004
Beginning balance	\$ 206	\$ 167
Liabilities incurred	4	21
Liabilities settled	(6)	(9)
Accretion expense	15	12
Acquisitions and other	24	18
Revisions to estimated cash flows	(10)	(3)
Ending balance	\$ 233	\$ 206

DERIVATIVE INSTRUMENTS

All derivative instruments required to be marked-to-market under Statement of Financial Accounting Standards (SFAS) No. 133, as amended, are carried at fair value. The related assets are included in receivables from joint ventures, partnerships and other and long-term receivables. The related liabilities are included in accrued liabilities and deferred credits and other liabilities — other. Occidental classifies its fair value swap interest receipts as reductions of interest expense. Cash flow hedge realized gains and losses, and any ineffectiveness, are classified within the net sales line item. Gains and losses are netted in the income statement and are netted on the balance sheets when a right of offset exists.

Occidental applies either fair value or cash flow hedge accounting when transactions meet specified criteria for hedge accounting treatment. If the derivative does not qualify as a hedge or is not designated as a hedge, the gain or loss is immediately recognized in earnings. If the derivative qualifies for hedge accounting, the gain or loss on the derivative is either recognized in income with an offsetting adjustment to the basis of the item being hedged for fair value hedges, or deferred in OCI to the extent the hedge is effective for cash flow hedges.

A hedge is regarded as highly effective and qualifies for hedge accounting if, at inception and throughout its life, it is expected that changes in the fair value or cash flows of the hedged item are almost fully offset by the changes in the fair value or changes in cash flows of the hedging instrument and actual effectiveness is within a range of 80 percent to 125 percent. In the case of hedging a forecasted transaction, the transaction must be highly probable and must present an exposure to variations in cash flows that could ultimately affect reported net income or loss. Occidental discontinues hedge accounting when it is determined that a derivative has ceased to be highly effective as a hedge; when the derivative expires, or is sold, terminated, or exercised; when the hedged item matures or is sold or repaid; when a forecasted transaction is no longer deemed highly probable; or when the derivative is no longer designated as a hedge.

FINANCIAL INSTRUMENTS FAIR VALUE

Occidental values financial instruments as required by SFAS No. 107, "Disclosures about Fair Value of Financial Instruments." The carrying amounts of cash and cash equivalents approximate fair value because of the short maturity of those instruments. The carrying value of other on-balance-sheet financial instruments, other than fixed-rate debt, approximates fair value, and the cost, if any, to terminate off-balance-sheet financial instruments is not significant.

STOCK-BASED INCENTIVE PLANS

Occidental has established several shareholder-approved stock-based incentive plans for certain employees (Plans) that are more fully described in Note 12. Beginning July 1, 2005, Occidental accounted for those Plans under SFAS No. 123R, "Share Based Payments." Prior to July 1, 2005, Occidental applied the APB Opinion No. 25 intrinsic value accounting method for its stock-based incentive plans. A summary of Occidental's accounting policy under each method follows below.

SFAS No. 123R

For restricted stock units (RSUs), compensation expense is measured on the grant date using the quoted market price of Occidental's common stock. For stock options (Options) and performance stock awards (PSAs), compensation expense is measured on the grant date using valuation models. Compensation expense for RSUs, Options and PSAs, is recognized on a straight-line basis over the requisite service periods, which is generally over the awards' respective vesting periods. For the PSAs, every quarter until vesting, the cash settled portion is revalued using valuation models and the stock settled portion is adjusted for any change in the number of shares expected to be issued based on the performance criteria. Any change in fair value is recognized as compensation expense. For stock appreciation rights (SARs), compensation expense is initially measured on the grant date using a valuation model. For cash settled SARs, compensation expense is recorded on the accelerated amortization method over the vesting period and changes in the fair value between the date of grant and through when the cash-settled SARs are exercised are recognized as compensation expense.

APB Opinion No. 25

Through June 30, 2005, compensation expense for Options and RSUs, if any, was measured as the difference between the quoted market price of Occidental's stock at the grant date, less the amount that the employee must pay to acquire the stock. Any compensation expense for these awards was recognized on a straight-line basis over the vesting periods of the respective awards. For PSAs, compensation expense was measured for each period based on the number of shares expected to vest and the changes in the quoted market value of Occidental's stock during the vesting period. PSAs compensation expense or benefit, as applicable, was recognized on a straight-line basis over the vesting periods of the awards. Compensation expense for SARs, which was recorded on the accelerated amortization method over the vesting period, was measured as the amount by which the quoted market value of Occidental's stock exceeded the SAR exercise price. The effect of changes in Occidental's share price between the date of grant and the date when the SARs were exercised or expired was recognized as compensation expense in each period.

SUPPLEMENTAL CASH FLOW INFORMATION

Cash payments, net of refunds, during the years 2005, 2004 and 2003 included federal, foreign and state income taxes of approximately \$1.844 billion, \$931 million and \$538 million, respectively. Interest paid (net of interest capitalized) totaled approximately \$253 million, \$205 million and \$310 million for the years 2005, 2004 and 2003, respectively. (See Note 3 for detail of noncash investing and financing activities regarding certain acquisitions.)

FOREIGN CURRENCY TRANSACTIONS

The functional currency applicable to all of Occidental's foreign oil and gas operations is the U.S. dollar since cash flows are denominated principally in U.S. dollars. Occidental's chemical operations in Brazil use the Real as the functional currency. Exchange-rate changes on transactions denominated in nonfunctional currencies generated losses of \$9 million in 2005, \$13 million in 2004 and \$3 million in 2003.

NOTE 2 DERIVATIVE ACTIVITIES INCLUDING FAIR VALUE OF FINANCIAL INSTRUMENTS

Occidental's market risk exposures relate mainly to commodity prices and, to a lesser extent, interest rates and foreign currency exchange rates. Occidental periodically enters into derivative instrument transactions to reduce these price and rate fluctuations. A derivative is an instrument that, among other characteristics, derives its value from changes in another instrument or variable.

In general, the fair value recorded for derivative instruments is based on quoted market prices, dealer quotes and the Black Scholes or similar valuation models.

COMMODITY PRICE RISK**General**

Occidental's results are sensitive to fluctuations in crude oil and natural gas prices.

Marketing and Trading Operations

Occidental periodically uses different types of derivative instruments to achieve the best prices for oil and gas. Derivatives are also used by Occidental to reduce its exposure to price volatility and mitigate fluctuations in commodity-related cash flows. Occidental enters into low-risk marketing and trading activities through its separate marketing organization, which operates under established policy controls and procedures. With respect to derivatives used in its oil and gas marketing operations, Occidental utilizes a combination of futures, forwards, options and swaps to offset various physical transactions. Occidental's use of derivatives in marketing and trading activities primarily relates to managing cash flows from third-party purchases, which includes Occidental's periodic gas storage activities.

Production Hedges

During the first quarter of 2005, Occidental entered into a series of fixed price swaps and costless collar agreements that qualify as cash-flow hedges for the sale of its crude oil production. These hedges, which began in July 2005 and continue to the end of 2011, hedge less than 4 percent of Occidental's 2005 crude oil production.

Fair Value of Marketing and Trading Derivative Contracts

The following tables reconcile the changes in the net fair value of Occidental's marketing and trading contracts, a portion of which are hedges, during 2005 and 2004 and segregate the open contracts at December 31, 2005 by maturity periods.

In millions	2005	2004
Fair value of contracts outstanding at beginning of year	\$ 30	\$ 32
Losses (gains) on changes for contracts realized or otherwise settled during the year	56	(94)
Changes in fair value attributable to changes in valuation techniques and assumptions	—	—
(Losses) gains or other changes in fair values	(543) ^(a)	92
Fair value of contracts outstanding at end of year	\$ (457)	\$ 30

(a) Primarily relates to production hedges.

Source of Fair Value	Maturity Periods				Total Fair Value
	2006	2007 to 2008	2009 to 2010	2011 and thereafter	
Prices actively quoted	\$ (42)	\$ (42)	\$ 4	\$ 5	\$ (75)
Prices provided by other external sources	1	(15)	7	4	(11)
Prices based on models and other valuation methods ^(a)	(42)	(133)	(137)	(59)	(371)
TOTAL	\$ (83)	\$ (190)	\$ (126)	\$ (58)	\$ (457)

(a) The underlying prices utilized for the 2006 and 2007 fair value calculation of the options are based on monthly NYMEX published prices. The underlying prices for years 2008 through 2011 are based on the year-end NYMEX published prices, as published monthly prices are not available. These prices are input into an industry standard options pricing model to determine fair value.

INTEREST RATE RISK

General

Occidental is exposed to risk resulting from changes in interest rates and it enters into various derivative financial instruments to manage interest-rate exposure. Interest-rate swaps, forward locks and futures contracts are entered into periodically as part of Occidental's overall strategy to manage its interest rate risk exposures.

Hedging Activities

In 2005, Occidental terminated all of its interest-rate swaps that were accounted for as fair-value hedges. These hedges had effectively converted approximately \$1.7 billion of fixed-rate debt to variable-rate debt. The fair value of the swaps at termination resulted in a gain of approximately \$20 million, which is being amortized into income over the remaining life of the previously hedged debt. The amount of interest expense recorded in the income statement was lower, as a result of the swaps and amortization of the deferred gain, by approximately \$21 million, \$56 million and \$58 million for the years ended December 31, 2005, 2004 and 2003, respectively.

Occidental was a party to a series of forward interest-rate locks, which qualified as cash-flow hedges. The hedges were related to the construction of a cogeneration plant leased by Occidental that was completed in December 2002. The unamortized loss on the hedges at December 31, 2005 was approximately \$19 million after-tax, which is recorded in accumulated OCI and is being recognized in earnings over the lease term of 26 years on a straight-line basis.

Certain of Occidental's equity investees have entered into additional derivative instruments that qualify as cash-flow hedges. Occidental reflects its proportionate share of these cash-flow hedges in OCI.

CREDIT RISK

Occidental's energy contracts are spread among several counterparties. Creditworthiness is reviewed before doing business with a new counterparty and on an ongoing basis. Occidental monitors aggregated counterparty exposure relative to credit limits, and manages credit-enhancement issues. Credit exposure for each customer is monitored for outstanding balances, current month activity, and forward mark-to-market exposure and losses associated with credit risk have been immaterial.

FOREIGN CURRENCY RISK

A few of Occidental's foreign operations have currency risk. Occidental manages its exposure primarily by balancing monetary assets and liabilities and maintaining cash positions only at levels necessary for operating purposes. Most international crude oil sales are denominated in U.S. dollars. Additionally, all of Occidental's oil and gas consolidated foreign entities have the U.S. dollar as the functional currency. At December 31, 2005 and 2004, Occidental had not entered into any foreign currency derivative instruments. The effect of exchange-rate transactions in foreign currencies is included in periodic income and is immaterial.

DERIVATIVE AND FAIR VALUE DISCLOSURES

The following table shows derivative financial instruments included in the consolidated balance sheets:

Balance at December 31, (in millions)	2005	2004
Derivative financial instrument assets		
Current	\$ 286	\$ 154
Non-current	178	73
	<u>\$ 464</u>	<u>\$ 227</u>
Derivative financial instrument liabilities		
Current	\$ 387	\$ 132
Non-current	564	30
	<u>\$ 951</u>	<u>\$ 162</u>

The following table summarizes net after-tax derivative activity recorded in accumulated OCI (AOCI):

Balance at December 31, (in millions)	2005	2004
Beginning Balance	\$ (17)	\$ (24)
Gains (losses) from changes in current cash flow hedges	(289)	24
Amount reclassified to income	(41)	(17)
Ending Balance	<u>\$ (347)</u>	<u>\$ (17)</u>

During the next twelve months, Occidental expects that approximately \$75 million of net derivative after-tax losses included in AOCI, based on their valuation at December 31, 2005, will be reclassified into earnings. Hedge ineffectiveness did not have a material impact on earnings for the years ended December 31, 2005, 2004 and 2003.

NOTE 3 BUSINESS COMBINATIONS AND ASSET ACQUISITIONS AND DISPOSITIONS**2005**

In 2005, Occidental announced the acquisition of Vintage Petroleum, Inc. (Vintage). In January 2006, Occidental completed the Vintage acquisition and paid \$1.4 billion to former Vintage shareholders for the cash portion of the merger consideration and issued 28 million shares for the stock portion, which was valued at \$2.1 billion. The value of Occidental's shares was determined by the average share price for the five-day period beginning two days before the acquisition announcement. In addition, Occidental assumed Vintage's debt, which had an estimated fair market value of \$585 million at closing. Occidental intends to divest a portion of these assets.

In 2005, Occidental made several oil and gas producing property acquisitions in the Permian Basin for approximately \$1.7 billion in cash. This was partially offset by cash proceeds totaling \$171 million from dispositions of a portion of the acquired properties. No gain or loss was recorded for these dispositions.

Occidental suspended all activities in Libya in 1986 as a result of economic sanctions imposed by the United States government. During the imposition of sanctions, Occidental derived no economic benefit from its Libyan interests. In 2004, the United States government lifted all of the principal economic sanctions against Libya. However, Libya continues to be designated as a country supporting international terrorism under section 6(j) of the United States Export Administration Act and, as such, continues to be subject to certain limited sanctions.

On August 11, 2005, the Libyan authorities approved the terms of Occidental's participation in the assets that it left in 1986, effective as of July 1, 2005. The agreement allows Occidental to return to its Libyan operations on generally the same terms in effect when activities were suspended. Those assets consist of three producing contracts in the Sirte Basin and four exploration blocks. Occidental paid approximately \$133 million in re-entry bonuses and capital adjustment and work-in-progress payments and is required to pay \$10 million per year while it continues to operate in Libya, as reimbursements for past development costs associated with the historical assets. In addition, Occidental has committed to spend \$90 million over the next five years in the four exploration blocks. Currently, Occidental's rights in the producing fields extend through 2009 and early 2010.

Separately, in early 2005, Occidental participated in the EPSA IV exploration bid round in Libya. Occidental successfully bid on nine of the 15 areas available. Occidental is the operator of five onshore areas and has a 90-percent exploration working interest. In addition, Occidental holds a 35-percent exploration working interest in four offshore areas. Woodside Petroleum Ltd. is the operator for the offshore areas. Occidental paid approximately \$90 million in exploration lease bonuses for these nine new areas and committed to spend an additional \$125 million over the next five years.

In July 2005, Occidental signed a new production-sharing contract (PSC) for the Mukhaizna oil field with the Government of the Sultanate of Oman. Under the terms of the new PSC, Occidental took over field operations on September 1, 2005, for a cost of \$137 million. Occidental holds a 45-percent working interest.

In June 2005, Occidental completed the purchase of three chlor-alkali chemical manufacturing facilities from Vulcan for \$214 million in cash, plus contingent payments based upon the future performance of these facilities and the assumption of certain liabilities. In order to facilitate receipt of regulatory approval for this acquisition, Occidental divested one of the facilities.

2004

In January 2004, Occidental acquired a 1,300-mile oil pipeline and gathering system located in the Permian Basin for approximately \$143 million in cash.

For strategic and economic reasons, Occidental exited the vinyl specialty resins business by closing the Pottstown, Pennsylvania manufacturing facility (Specialty Resins) effective January 5, 2005, and recorded an after-tax charge of \$32 million as of December 31, 2004. Occidental's assets and liabilities related to Specialty Resins are classified as held for sale and as discontinued operations in the income statements for all periods presented. Specialty Resins' net sales included in discontinued operations were \$27 million, \$98 million and \$86 million for 2005, 2004 and 2003, respectively, and net gains (losses) from discontinued operations were \$6 million, \$(38) million and \$(6) million, respectively.

2003

In 2003, Occidental made several oil and gas acquisitions in the Permian Basin for approximately \$317 million in cash and sold approximately \$34 million of these assets shortly thereafter. No gain or loss was recorded on these sales.

NOTE 4 ACCOUNTING CHANGES

FUTURE ACCOUNTING CHANGES

EITF Issue No. 04-13

In September 2005, the Emerging Issues Task Force (EITF) finalized the provisions of EITF Issue No. 04-13, "Accounting for Purchases and Sales of Inventory with the Same Counterparty", which provides accounting guidance about whether buy/sell arrangements should be accounted for at historical cost and whether these arrangements should be reported on a gross or net basis. Buy/sell arrangements typically are contractual arrangements where the buy and sell agreements are entered into in contemplation of one another with the same counterparty. Occidental reports all buy/sell arrangements on a net basis and at historical cost. This EITF is effective in the first interim period beginning after March 15, 2006, and Occidental will prospectively adopt this statement in the second quarter of 2006. Occidental is currently assessing the effect of EITF Issue No. 04-13, but does not expect it to have a material effect on its financial statements.

RECENTLY ADOPTED ACCOUNTING CHANGES

FIN No. 47

In March 2005, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. (FIN) 47, "Accounting for Conditional Asset Retirement Obligations." FIN 47 specifies the accounting treatment for conditional asset retirement obligations under the provisions of SFAS No. 143. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. Occidental has identified conditional asset retirement obligations at a certain number of its facilities that are mainly related to plant decommissioning. Under FIN 47, which Occidental adopted on December 31, 2005, Occidental is required to record the fair value of these conditional liabilities if they can be reasonably estimated. However, Occidental believes that there is an indeterminate settlement date for these asset retirement obligations because the range of time over which Occidental may settle these obligations is unknown or cannot be estimated. Therefore, Occidental cannot reasonably estimate the fair value of these liabilities. Occidental will recognize these conditional asset retirement obligations in the periods in which sufficient information becomes available to reasonably estimate their fair values.

SFAS No. 123R

On July 1, 2005, Occidental early adopted the fair value recognition provisions of SFAS No. 123R, "Share-Based Payments", under the modified prospective transition method. Since most of Occidental's existing stock-based compensation was already being recorded in the income statement, Occidental decided to early adopt SFAS 123R, so that the remaining awards would be accounted for in a similar manner. Prior to July 1, 2005, Occidental applied the Accounting Principles Board (APB) Opinion No. 25 intrinsic value accounting method for its stock incentive plans. Under the modified prospective transition method, the fair value recognition provisions apply only to new awards or awards modified after July 1, 2005. Additionally, the fair value of existing unvested awards at the date of adoption is recorded in compensation expense over the remaining requisite service period. Results from prior periods have not been restated. As a result of adopting this statement in the third quarter of 2005, Occidental recorded a \$3 million after-tax credit as a cumulative effect of a change in accounting principles. See Note 12 for more information.

FASB Staff Position No. (FSP) FAS 19-1

In April 2005, the FASB issued FASB Staff Position No. (FSP) FAS 19-1, "Accounting for Suspended Well Costs." FSP FAS 19-1 provides new accounting guidance that specifies when successful efforts companies can capitalize exploratory well costs. The guidance also requires new disclosures related to these costs. FSP FAS 19-1 is effective in the first reporting period beginning after April 4, 2005, and will be applied prospectively to existing and new exploratory well costs. Occidental adopted this statement effective July 1, 2005, and there was no material effect on the financial statements upon adoption. See Note 1 for the new disclosures.

SFAS No. 153

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets, an Amendment of APB Opinion No. 29." SFAS No. 153 specifies the criteria required to record a nonmonetary asset exchange using carryover basis. SFAS No. 153 is effective for nonmonetary asset exchanges occurring after July 1, 2005. Occidental adopted this statement in the third quarter of 2005 and there was no material effect on the financial statements upon adoption.

SFAS No. 151

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs, an amendment of Accounting Research Bulletin No. 43, Chapter 4." SFAS No. 151 clarifies the accounting treatment for various inventory costs and overhead allocations. SFAS No. 151 is effective for inventory costs incurred after July 1, 2005. Occidental adopted this statement in the third quarter of 2005 and it did not have a material effect on the financial statements when adopted.

FSP FAS 106-2

In May 2004, the FASB issued FSP FAS 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003," which specifies the accounting and disclosure requirements for the prescription drug benefits that are available under this new plan. Occidental adopted the disclosure provisions of this pronouncement in the second quarter of 2004. See Note 13 for more information.

FIN 46-R (Revised)

In December 2003, the FASB revised FIN 46 to exempt certain entities from its requirements and to clarify certain issues arising during the initial implementation of FIN 46. Occidental adopted the revised interpretation in the first quarter of 2004 and it did not have a material impact on the financial statements when adopted.

SFAS No. 143

Effective January 1, 2003 Occidental adopted SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. See Note 1 for more information.

The initial adoption of SFAS No. 143 on January 1, 2003 resulted in an after-tax charge of \$50 million, which was recorded as a cumulative effect of a change in accounting principles. The adoption increased net PP&E by \$73 million, increased asset retirement obligations by \$151 million and decreased deferred tax liabilities by \$28 million.

EITF Issue No. 02-3

In October 2002, Occidental adopted certain provisions of EITF Issue No. 02-3, "Issues involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities." As a result of adopting EITF Issue No. 02-3, there were no changes to gross margins, net income, cash flow, or earnings per share for any period; however, net sales and cost of sales were reduced by equal and offsetting amounts to reflect the adoption of this requirement.

From 1999 to 2002, Occidental accounted for certain energy-trading contracts in accordance with EITF Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." EITF Issue No. 98-10 required that all energy-trading contracts must be marked to fair value with gains and losses included in earnings, whether the contracts were derivatives or not. In October 2002, the EITF rescinded EITF Issue No. 98-10 thus precluding mark-to-market accounting for all energy-trading contracts that are not derivatives and fair value accounting for inventories purchased from third parties. Also, the rescission requires derivative gains and losses to be presented net on the income statement, whether or not they are physically settled, if the derivative instruments are held for trading purposes. Occidental adopted this accounting change in the first quarter of 2003 and recorded an \$18 million after-tax charge as a cumulative effect of a change in accounting principles.

NOTE 5 INVENTORIES

Inventories of approximately \$157 million and \$137 million were valued under the LIFO method at December 31, 2005 and 2004, respectively. Inventories consisted of the following:

Balance at December 31, (in millions)	2005	2004
Raw materials	\$ 84	\$ 62
Materials and supplies	195	157
Finished goods	573	380
	852	599
LIFO reserve	(117)	(54)
Total	\$ 735	\$ 545

NOTE 6 LONG-TERM DEBT

Long-term debt consisted of the following:

Balance at December 31, (in millions)	2005	2004
Occidental Petroleum Corporation		
7.375% senior notes due 2008 ^(a)	\$ 408	\$ 417
6.75% senior notes due 2012	371	489
8.45% senior notes due 2029	350	350
9.25% senior debentures due 2019	300	300
4.25% medium-term senior notes due 2010	253	275
10.125% senior debentures due 2009 ^(a)	222	280
7.2% senior debentures due 2028	200	200
4% medium-term senior notes due 2007 ^(a)	156	176
8.75% medium-term notes due 2023	100	100
11.125% senior notes due 2010	12	12
8.1% medium-term notes due 2008	10	10
7.65% senior notes, redeemed March 2005 ^(a)	—	459
5.875% senior notes, redeemed August 2005 ^(a)	—	293
4.101% medium-term senior notes, redeemed June 2005 ^(a)	—	75
	2,382	3,436
Subsidiary Debt		
3.0% to 7.5% unsecured notes due 2006 through 2018	541	374
	2,923	3,810
Less:		
Unamortized discount, net	(4)	(6)
Current maturities	(46)	(459)
TOTAL	\$ 2,873	\$ 3,345

(a) At December 31, 2005, long-term debt includes unamortized interest rate swap settlement net gains of \$13 million. At December 31, 2004, long-term debt includes mark-to-market adjustments due to fair value hedges of \$44 million.

On June 18, 2004, Occidental entered into a \$1.5 billion five-year revolving bank credit facility (Credit Facility). Up to \$200 million of the Credit Facility is available in the form of letters of credit. Borrowings under the Credit Facility bear interest at various benchmark rates, including LIBOR, plus a margin based on Occidental's senior debt ratings. Additionally, Occidental pays an annual facility fee (ranging from 0.08 percent to 0.11 percent in 2005) on the total commitment amount, which is based on Occidental's senior debt ratings. The Credit Facility provides for the termination of the loan commitments and requires immediate repayment of any outstanding amounts if certain events of default occur or if Occidental files for bankruptcy. Occidental had not drawn down any amounts on the Credit Facility at December 31, 2005.

In 2005, Occidental recorded \$42 million of pre-tax interest charges to redeem all of the outstanding 5.875-percent senior notes, 4.101-percent medium-term senior notes and 7.65-percent senior notes and to purchase in the open market and retire various amounts of Occidental senior notes and unsecured subsidiary notes.

In 2004, Occidental recorded a \$3 million pre-tax interest charge related to the open market purchase and retirement of \$51 million of its senior notes, and a \$3 million pre-tax interest charge, net of a \$2 million gain related to the settlement of an interest-rate swap, to redeem all of its \$157 million outstanding 6.5-percent senior notes which were due in 2005.

At December 31, 2005, minimum principal payments on long-term debt subsequent to December 31, 2005 aggregated \$2,910 million, of which \$46 million is due in 2006, \$157 million in 2007, \$405 million in 2008, \$520 million in 2009, \$265 million in 2010, \$68 million in 2011 and \$1,449 million thereafter. These amounts do not include the unamortized discount of \$4 million and interest rate swap settlement net gains of \$13 million. The unamortized discount is generally being amortized to interest expense on the effective interest method over the lives of the related issuances. The net gains relating to the interest swap settlements are being amortized into income over the remaining lives of the previously hedged debt issues.

At December 31, 2005, under the most restrictive covenants of certain financing agreements, Occidental's capacity for additional unsecured borrowing was approximately \$34.6 billion and the capacity for the payment of cash dividends and other distributions on, and for acquisitions of, Occidental's capital stock was approximately \$13.0 billion, assuming that such dividends, distributions and acquisitions were made without incurring additional borrowings.

Occidental estimates the fair value of its long-term debt based on the quoted market prices for the same or similar issues or on the yields offered to Occidental for debt of similar rating and similar remaining maturities. The estimated fair values of Occidental's debt, at December 31, 2005 and 2004, were approximately \$3.4 billion and approximately \$4.3 billion, respectively, compared with a carrying value of approximately \$2.9 billion, and approximately \$3.8 billion, respectively.

NOTE 7 LEASE COMMITMENTS

The present value of minimum capital lease payments, net of the current portion, totaled \$25 million and \$26 million at December 31, 2005 and 2004. These amounts are included in other liabilities.

Operating and capital lease agreements, which include leases for manufacturing facilities, office space, railcars and tanks, frequently include renewal and/or purchase options and require Occidental to pay for utilities, taxes, insurance and maintenance expense.

At December 31, 2005, future net minimum lease payments for capital and operating leases (excluding oil and gas and other mineral leases) were the following:

In millions	Capital	Operating ^(a)
2006	\$ 1	\$ 123
2007	1	105
2008	1	86
2009	1	78
2010	1	66
Thereafter	32	799
Total minimum lease payments	37	\$ 1,257
Less:		
Imputed interest	(12)	
Present value of minimum capital lease payments, net of current portion	\$ 25	

(a) At December 31, 2005, sublease rental amounts included in the future operating lease payments totaled \$68 million, as follows (in millions): 2006—\$8, 2007—\$8, 2008—\$8, 2009—\$10, 2010—\$8 and thereafter—\$26.

Rental expense for operating leases, net of sublease rental income, was \$142 million in 2005, \$120 million in 2004 and \$118 million in 2003. Rental expense was net of sublease income of \$7 million in 2005, \$8 million in 2004 and \$8 million in 2003.

Included in both the 2005 and 2004 PP&E accounts were \$7 million and \$10 million of property leased under capital leases and \$6 million and \$8 million of related accumulated amortization, respectively.

NOTE 8 ENVIRONMENTAL LIABILITIES AND EXPENDITURES

Occidental's operations in the United States are subject to stringent federal, state and local laws and regulations relating to improving or maintaining environmental quality. Foreign operations also are subject to environmental-protection laws. Costs associated with environmental compliance have increased over time and are expected to rise in the future. Environmental expenditures related to current operations are factored into the overall business planning process and are considered an integral part of production in manufacturing quality products responsive to market demand.

ENVIRONMENTAL REMEDIATION

The laws that require or address environmental remediation may apply retroactively to past waste disposal practices and releases. In many cases, the laws apply regardless of fault, legality of the original activities or current ownership or control of sites. OPC or certain of its subsidiaries are currently participating in environmental assessments and cleanups under these laws at federal Superfund sites, comparable state sites and other domestic and foreign remediation sites, including Occidental facilities and previously owned sites. Also, OPC and certain of its subsidiaries have been involved in a substantial number of governmental and private proceedings involving historical practices at various sites including, in some instances, having been named in proceedings under CERCLA and similar federal, state and local environmental laws. These proceedings seek funding or performance of remediation and, in some cases, compensation for alleged property damage, punitive damages and civil penalties.

Occidental manages its environmental remediation efforts through a wholly owned subsidiary, Glenn Springs Holdings, Inc., which reports its results directly to Occidental's corporate management. The following table presents Occidental's environmental remediation reserves, the current portion of which is included in accrued liabilities (\$83 million in 2005, \$76 million in 2004 and \$76 million in 2003) and the remainder in deferred credits and other liabilities — other (\$335 million in 2005, \$299 million in 2004 and \$296 million in 2003). The reserves are grouped by three categories of environmental remediation sites:

\$ amounts in millions	2005		2004		2003	
	Number of Sites	Reserve Balance	Number of Sites	Reserve Balance	Number of Sites	Reserve Balance
CERCLA & equivalent sites	128	\$ 236	125	\$ 239	131	\$ 240
Active facilities	18	114	16	75	13	79
Closed or sold facilities	39	68	39	61	39	53
TOTAL	185	\$ 418	180	\$ 375	183	\$ 372

The following table shows environmental reserve activity for the past three years:

In millions	2005	2004	2003
Balance — Beginning of Year	\$ 375	\$ 372	\$ 393
Increases to provision including interest accretion	63	60	64
Changes from acquisitions/dispositions	45	6	—
Payments	(71)	(63)	(83)
Other	6	—	(2)
Balance — End of Year	\$ 418	\$ 375	\$ 372

Occidental expects to expend funds equivalent to about half of the current environmental reserve over the next three years and the balance over the next ten or more years. Occidental believes it is reasonably possible that it will continue to incur additional liabilities beyond those recorded for environmental remediation at these and other sites. The range of reasonably possible loss for existing environmental remediation matters could be up to \$420 million beyond the amount accrued. For management's opinion, refer to Note 9.

CERCLA and Equivalent Sites

At December 31, 2005, OPC or certain of its subsidiaries have been named in 128 CERCLA or state equivalent proceedings, as shown below.

Description (\$ amounts in millions)	Number of Sites	Reserve Balance
Minimal/No exposure ^(a)	105	\$ 4
Reserves between \$1-10 MM	15	44
Reserves over \$10 MM	8	188
TOTAL	128	\$ 236

(a) Includes 28 sites for which Maxus Energy Corporation has retained the liability and indemnified Occidental, 7 sites where Occidental has denied liability without challenge, 57 sites where Occidental's reserves are less than \$50,000 each, and 13 sites where reserves are between \$50,000 and \$1 million each.

The eight sites with individual reserves over \$10 million in 2005 include a former copper mining and smelting operation in Tennessee, two closed landfills in western New York, groundwater treatment facilities at four closed chemical plants (Montague, Michigan, Hicksville, New York, western New York and Tacoma, Washington) and replacement of a municipal drinking water treatment plant in western New York.

Active Facilities

Certain subsidiaries of OPC are currently addressing releases of substances from past operations at 18 active facilities. Five facilities — a chemical plant in Louisiana, a phosphorous recovery operation in Tennessee, a chemical plant in Texas, a chemical plant in Kansas and certain oil and gas properties in the southwestern United States — account for 76 percent of the reserves associated with these facilities.

Closed or Sold Facilities

There are 39 sites formerly owned or operated by certain subsidiaries of OPC that have ongoing environmental remediation requirements in which OPC or its subsidiaries are involved. Four sites account for 63 percent of the reserves associated with this group. The four sites are: an active refinery in Louisiana where Occidental indemnifies the current owner and operator for certain remedial actions, a water treatment facility at a former coal mine in Pennsylvania, a closed OxyChem chemical plant in Pennsylvania and a water-treatment facility at a former OxyChem chemical plant in North Carolina.

ENVIRONMENTAL COSTS

Occidental's costs, some of which may include estimates, relating to compliance with environmental laws and regulations are shown below for each segment:

In millions	2005	2004	2003
Operating Expenses			
Oil and Gas	\$ 71	\$ 54	\$ 40
Chemical	67	59	55
	<u>\$ 138</u>	<u>\$ 113</u>	<u>\$ 95</u>
Capital Expenditures			
Oil and Gas	\$ 47	\$ 48	\$ 98
Chemical	21	12	15
	<u>\$ 68</u>	<u>\$ 60</u>	<u>\$ 113</u>
Remediation Expenses			
Corporate	<u>\$ 62</u>	<u>\$ 59</u>	<u>\$ 63</u>

Operating expenses are incurred on a continual basis. Capital expenditures relate to longer-lived improvements in currently operating facilities. Remediation expenses relate to existing conditions caused by past operations and do not contribute to current or future revenue generation. Although total costs may vary in any one year, over the long term, segment operating and capital expenditures for environmental compliance generally are expected to increase.

NOTE 9 LAWSUITS, CLAIMS, COMMITMENTS, CONTINGENCIES AND RELATED MATTERS

OPC and certain of its subsidiaries have been named in a substantial number of lawsuits, claims and other legal proceedings. These actions seek, among other things, compensation for alleged personal injury, breach of contract, property damage, punitive damages, civil penalties or other losses; or injunctive or declaratory relief. OPC and certain of its subsidiaries also have been named in proceedings under CERCLA and similar federal, state, local and foreign environmental laws. These environmental proceedings seek funding or performance of remediation and, in some cases, compensation for alleged property damage, punitive damages and civil penalties; however, Occidental is usually one of many companies in these proceedings and has to date been successful in sharing response costs with other financially sound companies. With respect to all such lawsuits, claims and proceedings, including environmental proceedings, Occidental accrues reserves when it is probable a liability has been incurred and the amount of loss can be reasonably estimated.

Since April 2004, OxyChem, has been served with eight lawsuits filed in Nicaragua by approximately 2,200 individual plaintiffs. These individuals allege that they have sustained several billion dollars of personal injury damages as a result of their alleged exposure to a pesticide. OxyChem is aware of, but has not been served in, 20 additional cases in Nicaragua, which Occidental understands make similar allegations. In the opinion of management, these claims are without merit because, among other things, OxyChem believes that none of the pesticide it manufactured was ever sold or used in Nicaragua. Under the applicable Nicaraguan statute, defendants are required to pay pre-trial deposits so large as to effectively prohibit defendants from participating fully in their defense. In previous situations, involving other defendants, Nicaraguan courts have proceeded to enter significant judgments against the defendants under that statute. OxyChem has filed a response to the complaints contesting jurisdiction without posting such pre-trial deposit. In December 2004, the judge in one of the cases (the "Osorio Case"), ruled the court had jurisdiction over the defendants, including OxyChem, and that the plaintiffs had waived the requirement of the pre-trial deposit. OxyChem has appealed that portion of the ruling relating to the jurisdiction of the Nicaraguan courts. Thereafter, the trial court ordered defendants, including OxyChem, to file an answer. In order to preserve its jurisdictional defense, OxyChem elected not

to make a substantive appearance in the case. In August 2005, the judge in the Osorio case entered judgment against several defendants, including OxyChem, for damages totaling approximately \$97 million. OxyChem has no assets in Nicaragua and, in the opinion of management, any judgment rendered under the statute, including in the Osorio case, would be unenforceable in the United States.

In September 2004, Occidental received formal notification that Petroecuador, the state oil company of Ecuador, was initiating proceedings to determine if Occidental had violated either its Participation Contract for Block 15 or the Ecuadorian Hydrocarbons Law and whether the alleged violations constitute grounds for terminating the Participation Contract. Block 15 operations represent approximately 7 percent of Occidental's 2005 consolidated production, 4 percent of its proved consolidated reserves, and 2 percent of its total PP&E, net of accumulated DD&A. In August 2005, Petroecuador issued a report recommending that the Minister of Energy declare the termination of Occidental's Participation Contract for Block 15. The principal allegation stated in the notice and the Petroecuador report is an assertion that Occidental should have obtained government approval for the farmout agreement entered into in 2000. In November 2005, the Minister of Energy, following the procedure set forth in the Ecuadorian Hydrocarbons Law, requested that Occidental respond to the allegations against it. In February 2006, Occidental submitted its response to the Minister of Energy, in which Occidental confirmed its belief that it has complied with all material obligations under the Participation Contract and Ecuadorian law, and that any termination of the contract based upon the stated allegations would be unfounded and would constitute an unlawful expropriation. Occidental has been cooperating with the Ecuadorian authorities in these proceedings, and will continue to strive for an amicable resolution. Occidental currently is unable to determine the outcome of these proceedings, but if there were to be a negotiated settlement, it is probable that the terms would effectively reduce the future profitability of Block 15 operations.

During the course of its operations, Occidental is subject to audit by tax authorities for varying periods in various federal, state, local and foreign tax jurisdictions. Disputes may arise during the course of such audits as to facts and matters of law. In May 2005, Occidental entered into a closing agreement with the IRS resolving certain foreign tax credit issues as part of the Internal Revenue Service (IRS) audit of tax years 1997-2000. The closing agreement was completed after an extensive IRS review of various complex tax issues and negotiations between Occidental and the IRS. As a result of the closing agreement, Occidental recorded a tax benefit of \$619 million in 2005 for the reversal of tax reserves that were previously established for those foreign tax credit issues. In addition, Occidental recorded a tax benefit of \$335 million in 2005 due to the reversal of tax reserves no longer required as United States corporate returns for tax years 1998-2000 became closed due to the lapsing of the statute of limitations. These tax benefits did not have a significant current cash effect.

At December 31, 2005, commitments for major capital expenditures during 2006 and thereafter were approximately \$804 million.

Occidental has entered into agreements providing for future payments to secure terminal and pipeline capacity, drilling services, electrical power, steam and certain chemical raw materials. At December 31, 2005, the net present value of the fixed and determinable portion of the obligations under these agreements, which were used to collateralize financings of the respective suppliers, aggregated \$27 million, which was payable as follows (in millions): 2006—\$12, 2007—\$11 and 2008—\$4. Fixed payments under these agreements were \$17 million in 2005 \$19 million in 2004 and \$16 million in 2003.

Occidental has certain other commitments under contracts, guarantees and joint ventures, including purchase commitments for goods and services at market-related prices and certain other contingent liabilities. Some of these commitments, although not fixed or determinable, involve capital expenditures and are part of the \$3.0 billion capital expenditures estimated for 2006.

Occidental has entered into various guarantees including performance bonds, letters of credit, indemnities, commitments and other forms of guarantees provided by Occidental to third parties, mainly to provide assurance that OPC and/or its subsidiaries and affiliates will meet their various obligations (guarantees).

At December 31, 2005, the notional amount of the guarantees was approximately \$575 million. Of this amount, approximately \$475 million relates to Occidental's guarantee of equity investees' debt and other commitments. The debt guarantees and other commitments primarily relate to the Dolphin Energy equity investment and the investment in the Ecuador Oleoducto de Crudos Pesados Ltd. (OCP) pipeline. The remaining \$100 million relates to various indemnities and guarantees provided to third parties.

Occidental has indemnified various parties against specified liabilities that those parties might incur in the future in connection with purchases and other transactions that they have entered into with Occidental. These indemnities usually are contingent upon the other party incurring liabilities that reach specified thresholds. As of December 31, 2005, Occidental is not aware of circumstances that would lead to future indemnity claims against it for material amounts in connection with these transactions.

It is impossible at this time to determine the ultimate liabilities that OPC and its subsidiaries may incur resulting from any lawsuits, claims and proceedings, audits, commitments, contingencies and related matters. If these matters were to be ultimately resolved unfavorably at amounts substantially exceeding Occidental's reserves, an outcome not currently anticipated, it is possible that such outcome could have a material adverse effect upon Occidental's consolidated financial position or results of operations. However, after taking into account reserves, management does not expect the ultimate resolution of any of these matters to have a material adverse effect upon Occidental's consolidated financial position or results of operations.

NOTE 10 DOMESTIC AND FOREIGN INCOME AND OTHER TAXES

The domestic and foreign components of income from continuing operations before domestic and foreign income and other taxes were as follows:

For the years ended December 31, (in millions)	Domestic	Foreign	Total
2005	\$ 4,547	\$ 2,745	\$ 7,292
2004	\$ 2,412	\$ 1,902	\$ 4,314
2003	\$ 1,516	\$ 1,316	\$ 2,832

The provisions (credits) for domestic and foreign income and other taxes from continuing operations consisted of the following:

For the years ended December 31, (in millions)	U.S. Federal	State and Local	Foreign	Total
2005				
Current	\$ 612	\$ 132	\$ 1,351	\$ 2,095
Deferred	(64)	(9)	(2)	(75)
	\$ 548	\$ 123	\$ 1,349	\$ 2,020
2004				
Current	\$ 697	\$ 50	\$ 791	\$ 1,538
Deferred	182	17	(29)	170
	\$ 879	\$ 67	\$ 762	\$ 1,708
2003				
Current	\$ 564	\$ 29	\$ 573	\$ 1,166
Deferred	85	(5)	(15)	65
	\$ 649	\$ 24	\$ 558	\$ 1,231

The 2005 federal income tax provision includes a \$619 million tax benefit related to the resolution of foreign tax credit issues with the Internal Revenue Service (IRS) and a \$335 million tax benefit due to the reversal of tax reserves no longer required as United States corporate returns for the tax years 1998 – 2000 became closed due to the lapsing of the statute of limitations. The 2005 income tax provision also includes a net \$10 million charge related to a state tax issue. The 2004 federal income tax provision includes tax benefits of \$47 million resulting from the reversal of tax contingency reserves no longer required due to the settlement of issues with the Internal Revenue Service.

The following is a reconciliation, stated as a percentage of pre-tax income, of the United States statutory federal income tax rate to Occidental's effective tax rate on income from continuing operations:

For the years ended December 31,	2005	2004	2003
United States federal statutory tax rate	35 %	35 %	35 %
Operations outside the United States ^(a)	6	5	8
State taxes, net of federal benefit	1	1	1
Reversal of tax reserves	(13)	(1)	—
Other	(1)	—	(1)
Tax rate provided by Occidental	28 %	40 %	43 %

(a) Included in these figures is the impact of not providing United States taxes on the unremitted earnings of certain foreign subsidiaries. The effect on 2005 and 2004 was insignificant after considering the benefit of foreign tax credits in the United States on such remittances. The effect of this treatment was to reduce the United States federal tax rate by approximately 5 percent in 2003.

The tax effects of temporary differences resulting in deferred income taxes at December 31, 2005 and 2004 were as follows:

Tax effects of temporary differences (in millions)	2005		2004	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Property, plant and equipment differences	\$ 44	\$ 1,554	\$ 79	\$ 1,417
Investments including partnerships	—	221	—	470
Environmental reserves	184	—	173	—
Postretirement benefit accruals	139	—	132	—
Deferred compensation and fringe benefits	202	—	164	—
Asset retirement obligations	66	—	58	—
Derivatives	184	—	—	32
Foreign tax credit carryforward	132	—	82	—
State income taxes	63	—	50	—
All other	271	97	214	36
Subtotal	1,285	1,872	952	1,955
Valuation allowance	(175)	—	(130)	—
Total deferred taxes	\$ 1,110	\$ 1,872	\$ 822	\$ 1,955

Included in total deferred tax assets was a current portion aggregating \$200 million and \$115 million as of December 31, 2005 and 2004, respectively, that was reported in prepaid expenses and other.

Occidental has, as of December 31, 2005, foreign tax credit carryforwards of \$132 million which expire in varying amounts through 2015 and various state net operating loss carryforwards which have varying carryforward periods through 2025. Occidental established a valuation allowance against these foreign tax credit carryforwards and state net operating losses as the Company believes these assets will not be utilized in the statutory carryforward periods. In addition, Occidental establishes a valuation allowance against deferred tax assets resulting from deductible temporary differences when it believes future benefit is unlikely to be realized.

A deferred tax liability has not been recognized for temporary differences related to Occidental's investment in certain foreign subsidiaries primarily as a result of unremitted earnings of consolidated subsidiaries aggregating approximately \$4.0 billion at December 31, 2005, as it is Occidental's intention, generally, to reinvest such earnings permanently. If the earnings of these foreign subsidiaries were not indefinitely reinvested, an additional deferred tax liability of approximately \$255 million would be required, assuming utilization of available foreign tax credits.

The discontinued operations include an income tax charge of \$3 million in 2005, and a benefit of \$23 million in 2004 and \$4 million in 2003.

The cumulative effect of changes in accounting principles was reduced by an income tax charge of \$2 million in 2005 and a benefit of \$38 million in 2003.

Additional paid-in capital was credited \$74 million in 2005, \$75 million in 2004 and \$30 million in 2003 for a tax benefit from the exercise of certain stock based compensation awards.

NOTE 11 STOCKHOLDERS' EQUITY

The following is an analysis of common stock:

(shares in thousands)	Common Stock
Balance, December 31, 2002	377,860
Issued	1,156
Options exercised and other, net	8,032
Balance, December 31, 2003	387,048
Issued	813
Options exercised and other, net	8,866
Balance, December 31, 2004	396,727
Issued	755
Options exercised and other, net	4,733
Balance, December 31, 2005	402,215

NONREDEEMABLE PREFERRED STOCK

Occidental has authorized 50,000,000 shares of preferred stock with a par value of \$1.00 per share. At December 31, 2005, 2004 and 2003, Occidental had no outstanding shares of preferred stock.

EARNINGS PER SHARE AND ANTI-DILUTIVE COMPUTATIONS

Basic earnings per share was computed by dividing net income plus, in 2003, the effect of repurchase of trust preferred securities, by the weighted average number of common shares outstanding during each year. The computation of diluted earnings per share further assumes the dilutive effect of stock options.

The following are the share amounts used to compute the basic and diluted earnings per share for the years ended December 31:

In millions	2005	2004	2003
Basic Earnings per Share			
Weighted average shares outstanding	400.0	392.6	382.5
Vested/unissued restricted units	1.6	1.2	0.4
Deferred shares and other	1.7	1.8	1.0
Basic Shares Outstanding	<u>403.3</u>	<u>395.6</u>	<u>383.9</u>
Diluted Earnings per Share			
Basic shares outstanding	403.3	395.6	383.9
Dilutive effect of exercise of options outstanding	4.9	4.7	3.9
Other	0.9	0.8	0.8
Dilutive Shares	<u>409.1</u>	<u>401.1</u>	<u>388.6</u>

ACCUMULATED OTHER COMPREHENSIVE INCOME (AOCI)

AOCI consisted of the following after-tax amounts:

Balance at December 31, (in millions)	2005	2004
Foreign currency translation adjustments	\$ (29)	\$ (15)
Derivative mark-to-market adjustments	(347)	(17)
Minimum pension liability adjustments	3	3
Unrealized gains on securities	—	184
TOTAL	<u>\$ (373)</u>	<u>\$ 155</u>

NOTE 12 STOCK-BASED INCENTIVE PLANS

Occidental has established several Plans that provide for stock-based awards in the form of Options, restricted stock, RSUs, stock bonuses, SARs, PSAs and dividend equivalents. These awards are granted under the 1995 Incentive Stock Plan (1995 ISP), 2001 Incentive Compensation Plan (2001 ICP) and the 2005 Long-Term Incentive Plans (2005 LTIP). No further awards will be granted under the 1995 ISP and 2001 ICP plans; however, certain 1995 ISP and 2001 ICP award grants were outstanding at December 31, 2005. An aggregate of 17 million shares of Occidental common stock are reserved for issuance under the 2005 LTIP and at December 31, 2005, approximately 14 million shares of Occidental common stock were available for future awards. Occidental also has a 1996 Restricted Stock Plan for Non-Employee Directors (1996 DRSP), under which non-employee directors received awards of restricted stock as additional compensation for their services as members of the Board of Directors. No further awards will be granted under the 1996 DRSP; however, certain 1996 award grants were outstanding at December 31, 2005. All future non-employee director awards will be granted under the 2005 LTIP.

Adoption of SFAS No. 123R

As discussed in Note 1, on July 1, 2005, Occidental changed its method of accounting for stock-based compensation from the APB Opinion No. 25 intrinsic value accounting method to the fair value recognition provisions of SFAS No. 123R. Prior to July 1, 2005, Occidental had already been expensing its SARs, RSUs and PSAs. On July 1, 2005, Occidental began expensing its Options and recording compensation expense for all its other stock-based incentive awards using fair value amounts in accordance with SFAS No. 123R.

The table below summarizes certain stock-based incentive amounts for the year (all amounts in millions):

Year Ended December 31,	2005
Compensation Expense	\$ 186
Income Tax Benefit Recognized in the Income Statement	\$ 68
Intrinsic Value of Options and Stock Settled SAR Exercises	\$ 217
Liabilities Paid ^(a)	\$ 11
Fair Value of RSUs and PSAs Vested during the Year ^(b)	\$ 54

(a) Includes liabilities paid under the cash-settled SARs.

(b) As measured on the grant date for RSUs and the stock settled portion of PSAs.

As of December 31, 2005, there was \$195 million of pre-tax unrecognized compensation expense related to all unvested stock-based incentive award grants. This expense is expected to be recognized over a weighted average period of 2.3 years.

STOCK OPTIONS AND STOCK APPRECIATION RIGHTS

Certain employees are granted Options that are settled in physical stock and SARs that are settled either only in stock or only in cash. Exercise prices of the Options and SARs are equal to the quoted market value of Occidental's stock on the grant date. Generally, the Options and SARs vest ratably over three years with a maximum term of ten years. These Options and SARs may be forfeited or accelerated under certain circumstances.

The fair value of each Option or stock settled SAR is estimated on the grant date using the Black Scholes option valuation model. The expected life is estimated based on the actual weighted average life of historical exercise activity of the grantee population at the grant date. The volatility factors are based on the historical volatilities of Occidental common stock over the expected lives as estimated on the grant date. The risk-free interest rate is the implied yield available on zero coupon (US Treasury Strip) T-bills at the grant date with a remaining term equal to the expected life. The dividend yield is the expected annual dividend yield over the expected life, expressed as a percentage of the stock price on the grant date. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by employees who receive stock-based incentive awards, and subsequent events may not be indicative of the reasonableness of the original estimates of fair value made by Occidental.

The grant date assumptions used in the Black Scholes valuation for Options and stock settled SARs are as follows:

For the years ended December 31,	2005	2004
Assumptions used:		
Risk-free interest rate	3.7%	3.4%
Dividend yield	1.5%	2.2%
Volatility factor	27%	21%
Expected life (years)	5.5	3.6

The grant date fair value of each stock settled SAR granted in 2005 was \$21.52 and the grant date fair value of each Option granted in 2004 was \$8.03. The fair value of the cash-settled SARs is also estimated using the Black Scholes model and is recalculated using updated assumptions each quarter until they are exercised. Changes to the estimated cash-settled SARs fair value are recorded to compensation expense.

The following is a summary of Options and SARs transactions during 2005:

	2005							
	Stock Settled SARs & Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (yrs)	Aggregate Intrinsic Value (000's)	Cash Settled SARs	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (yrs)	Aggregate Intrinsic Value (000's)
Beginning balance, January 1, 2005	14,282	\$ 28.99			3,503	\$ 49.32		
Granted or issued	1,940	\$ 81.61			—	\$ —		
Exercised	(4,729)	\$ 26.56			(334)	\$ 49.32		
Forfeited or expired	(3)	\$ 31.13			(3)	\$ 49.32		
Ending balance, December 31, 2005	11,490	\$ 38.87	6.9	\$ 474,461	3,166	\$ 49.32	8.5	\$ 96,752
Exercisable at December 31, 2005	7,361	\$ 28.46	5.9	\$ 378,478	834	\$ 49.32	8.5	\$ 25,487

RESTRICTED STOCK UNITS

Certain employees are awarded the right to receive RSUs that vest between three and five years after grant and can be forfeited or accelerated under certain conditions.

A summary of changes in Occidental's unvested RSUs during the year ended December 31, 2005, is presented below:

	2005	
	RSUs (000's)	Weighted Average Grant Date Fair Value
Unvested at January 1	1,405	\$ 39.47
Granted or issued	1,116	\$ 81.81
Vested	(629)	\$ 39.70
Forfeitures	(1)	\$ 81.61
Unvested at December 31	1,891	\$ 65.87

PERFORMANCE STOCK

Certain executives are awarded PSAs that vest at the end of the four-year period following the grant date if performance targets are certified as being met, with payouts that range from zero to 200 percent of the target award. In June 2005, the holders of substantially all of Occidental's unvested PSAs agreed to modify the settlement provisions to provide that the first 100 percent payout will be settled only in physical stock and any payout in excess of 100 percent will be settled only in cash. There was no incremental compensation expense resulting from this modification.

The fair values of the stock settled portion of PSAs are estimated on the grant date using a Monte Carlo simulation model that uses the assumptions noted in the following table. The expected life is based on the vesting period (Term). The volatility factors are based on the historical volatilities of Occidental stock over the Term. The risk-free interest rate is the implied yield available on zero coupon (US Treasury Strip) T-bills at the time of grant with a remaining term equal to the Term. The dividend yield is the expected annual dividend yield over the Term, expressed as a percentage of the stock price on the grant date. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by certain employees who receive stock incentive awards, and subsequent events may not be indicative of the reasonableness of the original estimates of fair value made by Occidental.

The grant-date assumptions used in the Monte Carlo simulation model for stock settled PSAs are as follows:

For the years ended December 31,	2005	2004
Assumptions used:		
Risk-free interest rate	3.33%	2.98%
Dividend yield	1.88%	2.46%
Volatility factor	21%	29%
Expected life (years)	4	4

The cash-settled portion of PSAs fair value is also estimated using a Monte Carlo simulation model each quarter, through vesting, using updated assumptions. Changes to cash-settled PSAs fair value are recorded to compensation expense.

A summary of Occidental's unvested PSAs as of December 31, 2005 and changes during the year ended December 31, 2005, is presented below:

	2005		
	Stock Settled Portion of PSAs (000's)	Weighted Average Grant Date Fair Value (Stock Settled Only)	Cash Settled Portion of PSAs (000's)
Unvested at January 1 ^(a)	2,227	\$ 27.04	—
Modification ^(b)	(769)	—	769
Granted ^(a)	133	\$ 49.61	133
Vested ^(c)	(506)	N/A	—
Forfeited ^(d)	(149)	N/A	—
Unvested at December 31 ^(a)	936	\$ 30.30	902

(a) Unvested awards and award grants are presented at the maximum potential payouts.

(b) In June 2005, the holders of substantially all of Occidental's unvested PSAs agreed to modify the settlement provisions to provide that the first 100 percent payout will be settled only in physical stock and any payout in excess of 100 percent will be settled only in cash.

(c) The 2001 grants vested at the APB Opinion No. 25 settlement value of \$61.91 per share.

(d) Forfeitures primarily represent the PSAs that did not vest since the maximum performance criteria were not met.

PRO-FORMA INFORMATION

As a result of adopting SFAS No. 123R on July 1, 2005, Occidental's income before income taxes and net income for the year ended December 31, 2005 were approximately \$12 million and \$8 million lower, respectively, than if it had continued to account for stock incentive compensation under the intrinsic value method. Had Occidental continued to use the intrinsic value method, the effect on Basic and Diluted earnings per share would have been an increase of approximately \$.02 per share.

Prior to the adoption of SFAS No. 123R, Occidental presented all tax benefits of deductions resulting from the exercise of stock options as operating cash flows in the Statement of Cash Flows. SFAS No. 123R requires the cash flows resulting from tax deductions in excess of the compensation cost recognized for those stock incentive awards (excess tax benefits) to be classified as financing cash flows. The \$36 million excess tax benefit classified as a financing cash inflow for the year ended December 31, 2005, would have been classified as an operating cash inflow if Occidental had not adopted SFAS No. 123R.

The following table shows the pro forma net income and earnings per share that Occidental would have recorded if compensation expense was determined using SFAS No. 123R for these periods. The 2005 pro forma information is provided because Occidental did not adopt SFAS No. 123R until July 1, 2005 (amounts in millions, except per share amounts).

	2005	2004	2003
Net Income	\$ 5,281	\$ 2,568	\$ 1,527
Add: Stock-based compensation included in net income, net of tax, under APB Opinion No. 25	104	47	38
Deduct: Stock-based compensation, net of tax, determined under SFAS No. 123 fair value method	(112)	(61)	(56)
Pro forma net income	\$ 5,273	\$ 2,554	\$ 1,509
Earnings per share:			
Basic — as reported	\$ 13.09	\$ 6.49	\$ 3.98
Basic — pro forma	\$ 13.08	\$ 6.46	\$ 3.93
Diluted — as reported	\$ 12.91	\$ 6.40	\$ 3.93
Diluted — pro forma	\$ 12.89	\$ 6.37	\$ 3.88

NOTE 13 RETIREMENT PLANS AND POSTRETIREMENT BENEFITS

Occidental has various benefit plans for its salaried, domestic union and nonunion hourly, and certain foreign national employees.

Defined Contribution Plans

All domestic employees and certain foreign national employees are eligible to participate in one or more of the defined contribution retirement or savings plans that provide for periodic contributions by Occidental based on plan-specific criteria, such as base pay, age level, and/or employee contributions. Certain salaried employees participate in a supplemental retirement plan that provides restoration of benefits lost due to governmental limitations on qualified retirement benefits. The accrued liabilities for the supplemental retirement plan were \$61 million, \$60 million and \$55 million as of December 31, 2005, 2004 and 2003, respectively, and Occidental expensed \$66 million in 2005, \$59 million in 2004 and \$59 million in 2003 under the provisions of these defined contribution and supplemental retirement plans.

Defined Benefit Plans

Participation in the defined benefit plans is limited and approximately 1,500 domestic and 800 foreign national employees, mainly in union, nonunion hourly and certain employees that joined Occidental from acquired operations with grandfathered benefits, are currently accruing benefits under these plans.

Pension costs for Occidental's defined benefit pension plans, determined by independent actuarial valuations, are generally funded by payments to trust funds, which are administered by independent trustees.

Other Postretirement Benefit Plans

Occidental provides medical and dental benefits and life insurance coverage for certain active, retired and disabled employees and their eligible dependents. The benefits generally are funded by Occidental as the benefits are paid during the year. The cost of providing these benefits is based on claims filed and insurance premiums paid for the period. The total benefit costs including the postretirement costs were approximately \$104 million in 2005, \$98 million in 2004, and \$94 million in 2003.

On December 8, 2003, President Bush signed into law a bill that expands Medicare, primarily adding a prescription drug benefit for Medicare-eligible retirees starting in 2006. Regulations governing the Medical Prescription drug benefit and other key elements of the Medicare Modernization Act were released by the Department of Health and Human Services Centers for Medicare and Medicaid Services on January 21, 2005. As of December 31, 2005, Occidental has determined that its retiree health care plans will qualify Occidental for a federal subsidy available on benefits provided to plan participants which meet certain actuarial equivalence requirements. The \$32 million reduction in the Accumulated Postretirement Benefit Obligation due to the expected future subsidy has been treated as an actuarial experience gain which will be amortized to expense in future years through a decrease in the amortization of the unrecognized net loss, in accordance with FSP No. FAS 106-2. The annual reduction in Occidental's other postretirement benefits expense due to the subsidy is expected to be approximately \$4 million.

Obligations and Funded Status

Occidental uses a measurement date of December 31 for all defined benefit pension and postretirement benefit plans.

For the years ended December 31, (in millions)	Pension Benefits		Postretirement Benefits			
	2005	2004	Unfunded Plans		Funded Plans	
			2005	2004	2005	2004
Changes in benefit obligation:						
Benefit obligation — beginning of year	\$ 448	\$ 392	\$ 586	\$ 544	\$ 25	\$ 19
Service cost — benefits earned during the period	12	12	9	7	—	1
Interest cost on projected benefit obligation	25	24	32	32	1	1
Actuarial loss	16	32	9	55	1	5
Foreign currency exchange rate changes	5	11	—	—	—	—
Business acquired ^(a)	4	—	26	—	—	—
Benefits paid	(24)	(23)	(51)	(52)	(1)	(1)
Special termination benefits ^(b)	4	—	3	—	—	—
Plan amendments	2	—	—	—	—	—
Benefit obligation — end of year	\$ 492	\$ 448	\$ 614	\$ 586	\$ 26	\$ 25
Changes in plan assets:						
Fair value of plan assets — beginning of year	\$ 398	\$ 309	\$ —	\$ —	\$ 1	\$ 1
Actual return on plan assets	32	46	—	—	—	—
Foreign currency exchange rate changes	1	1	—	—	—	—
Employer contribution	17	65	—	—	2	1
Benefits paid	(24)	(23)	—	—	(1)	(1)
Fair value of plan assets — end of year	\$ 424	\$ 398	\$ —	\$ —	\$ 2	\$ 1
Funded Status:						
Unfunded obligation	\$ (68)	\$ (50)	\$ (614)	\$ (586)	\$ (24)	\$ (24)
Unrecognized prior service cost	3	3	7	8	—	—
Unrecognized net loss	89	72	209	213	12	13
Net amount recognized	\$ 24	\$ 25	\$ (398)	\$ (365)	\$ (12)	\$ (11)

(a) Relates to the Vulcan acquisition.

(b) Relates to the Pottstown plant closure.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for defined benefit pension plans with accumulated benefit obligation in excess of plan assets were \$94 million, \$91 million and \$4 million, respectively, as of December 31, 2005 and \$111 million, \$99 million and \$20 million, respectively, as of December 31, 2004. The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for defined benefit pension plans with plan assets in excess of accumulated benefit obligation were \$398 million, \$377 million, and \$420 million, respectively, as of December 31, 2005 and \$337 million, \$326 million, and \$378 million, respectively, as of December 31, 2004.

In 2002, a 401(h) account was established within one of Occidental's defined benefit pension plans. This plan allows Occidental to fund postretirement medical benefits for employees at one of its operations. Contributions to this 401(h) account are made at Occidental's discretion. All of Occidental's other postretirement benefit plans are unfunded.

Amounts recognized in the consolidated balance sheets consist of:

For the years ended December 31, (in millions)	Pension Benefits		Postretirement Benefits			
			Unfunded Plans		Funded Plans	
	2005	2004	2005	2004	2005	2004
Prepaid benefit cost	\$ 116	\$ 110	\$ —	\$ —	\$ —	\$ —
Accrued benefit liability	(92)	(85)	(398)	(365)	(12)	(11)
Net amount recognized	\$ 24	\$ 25	\$ (398)	\$ (365)	\$ (12)	\$ (11)

Occidental recorded a credit to AOCI of \$13 million in 2003, to reflect the net-of-tax difference between the additional liability required under pension accounting provisions and the corresponding intangible asset. No amount was recorded to AOCI in 2005 and 2004.

Components of Net Periodic Benefit Cost

For the years ended December 31, (in millions)	Pension Benefits			Postretirement Benefits					
				Unfunded Plans			Funded Plans		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
Net periodic benefit costs:									
Service cost — benefits earned during the period	\$ 12	\$ 12	\$ 13	\$ 9	\$ 7	\$ 6	\$ —	\$ 1	\$ 1
Interest cost on benefit obligation	25	23	23	32	32	33	1	1	1
Expected return on plan assets	(32)	(25)	(20)	—	—	—	—	—	—
Amortization of prior service cost	1	1	1	1	1	1	—	—	—
Recognized actuarial loss	—	2	3	14	11	8	1	—	—
Cost of special termination benefits ^(a)	4	—	—	3	—	—	—	—	—
Currency adjustments	4	11	2	—	—	—	—	—	—
Net periodic benefit cost	\$ 14	\$ 24	\$ 22	\$ 59	\$ 51	\$ 48	\$ 2	\$ 2	\$ 2

(a) Relates to the Pottstown plant closure.

Additional Information

Occidental's defined benefit pension and postretirement defined benefit plan obligations are determined based on various assumptions and discount rates. Occidental uses the fair value of assets to determine expected return on plan assets in calculating pension expense. Occidental funds and expenses negotiated pension increases for domestic union employees over the term of their collective bargaining agreement.

The following table sets forth the weighted average assumptions used to determine Occidental's benefit obligation and net periodic benefit cost for domestic plans:

For the years ended December 31,	Pension Benefits		Postretirement Benefits			
			Unfunded Plans		Funded Plans	
	2005	2004	2005	2004	2005	2004
Benefit Obligation Assumptions:						
Discount rate	5.33%	5.50%	5.33%	5.50%	5.33%	5.50%
Rate of compensation increase	4.00%	4.00%	—	—	—	—
Net Periodic Benefit Cost Assumptions:						
Discount rate	5.50%	6.00%	5.50%	6.00%	5.50%	6.00%
Expected long term rate of return on assets	8.00%	8.00%	—	—	8.00%	8.00%
Rate of compensation increase	4.00%	4.00%	—	5.50%	—	—

For domestic pension plans, Occidental bases the discount rate on the average yield provided by the Moody's Aaa Corporate Bond Index. The weighted average rate of increase in future compensation levels is consistent with Occidental's past and anticipated future compensation increases for employees participating in retirement plans that determine benefits using compensation. The long-term rate of return on assets assumption is established with regard to current market factors but within the context of historical returns. Historical returns and correlation of equities and fixed income securities are studied. Current market factors such as inflation and interest rates are also evaluated.

For pension plans outside of the United States, the assumptions used in determining the benefit obligation vary by country. For countries in hyperinflationary environments, real discount rates were used. The real discount rates used in these countries ranged from a low of 4.8 percent to a high of 5.5 percent at both December 31, 2005 and 2004. For countries under a more stable inflationary environment, the nominal discount rates were used in determining the benefit

obligation. The nominal discount rates used ranged from a low of 3 percent to a high of 6.8 percent at December 31, 2005 and a low of 4 percent to a high of 8 percent at December 31, 2004. Occidental bases its discount rate for foreign pension plans on rates indicative of government and/or investment grade corporate debt in the applicable country. The average rate of increase in future compensation levels ranged from a low of 2 percent to a high of 6 percent in 2005 and from a low of 3 percent to a high of 7 percent in 2004, dependent on local economic conditions and salary budgets. The expected long-term rate of return on plan assets was 5.5 percent in excess of local inflation in both 2005 and 2004.

The postretirement benefit obligation was determined by application of the terms of medical and dental benefits and life insurance coverage, including the effect of established maximums on covered costs, together with relevant actuarial assumptions and health care cost trend rates projected at a Consumer Price Index (CPI) increase of 3 percent as of December 31, 2005 and 2004 (beginning in 1993, participants other than certain union employees have paid for all medical cost increases in excess of increases in the CPI). For certain union employees, the health care cost trend rates were projected at annual rates ranging ratably from 12 percent in 2005 to 6 percent through the year 2010 and level thereafter. A 1-percent increase or a 1-percent decrease in these assumed health care cost trend rates would result in an increase of \$19 million or a reduction of \$18 million, respectively, in the postretirement benefit obligation as of December 31, 2005, and an increase or reduction of \$1 million in interest cost in 2005. The annual service costs would not be materially affected by these changes.

The actuarial assumptions used could change in the near term as a result of changes in expected future trends and other factors that, depending on the nature of the changes, could cause increases or decreases in the plan liabilities accrued.

Asset allocations of Occidental's defined benefit pension and funded postretirement benefit plans at December 31, 2005 and 2004 are as follows:

For the years ended December 31,	Pension Benefits		Postretirement Benefit	
			Funded Plans	
	2005	2004	2005	2004
Asset Category:				
Equity securities	60%	56%	58%	58%
Debt securities	40	44	42	42
Total	100%	100%	100%	100%

Occidental employs a total return investment approach that uses a mix of equity and fixed income investments to maximize the long-term return of plan assets at a prudent level of risk. The investments are monitored by Occidental's Investment Committee in its role as fiduciary. The Investment Committee, consisting of senior Occidental executives, selects and employs various external professional investment management firms to manage specific assignments across the spectrum of asset classes. The resulting aggregate investment portfolio contains a diversified blend of equity and fixed-income investments. Furthermore, equity investments are diversified across United States and non-United States stocks, as well as differing styles and market capitalizations. Other asset classes such as private equity and real estate may be used to enhance long-term returns while improving portfolio diversification. Investment performance is measured and monitored on an ongoing basis through quarterly investment and manager guideline compliance reviews, annual liability measurements, and periodic studies.

Occidental expects to contribute \$3 million to its defined benefit pension plans during 2006. All of the contributions are expected to be in the form of cash.

Estimated future benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

For the years ended December 31, (in millions)	Pension Benefits	Postretirement Benefits
2006	\$ 27	\$ 54
2007	\$ 27	\$ 55
2008	\$ 28	\$ 54
2009	\$ 29	\$ 54
2010	\$ 30	\$ 53
2011 — 2015	\$ 166	\$ 265

NOTE 14 INVESTMENTS AND RELATED-PARTY TRANSACTIONS

At December 31, 2005 and 2004, investments in unconsolidated entities comprised \$906 million and \$1,003 million of equity method investments and \$303 million and \$310 million of advances to equity method investees, respectively. In 2004, the remainder of the balance reflects available-for-sale securities.

EQUITY INVESTMENTS

At December 31, 2005, Occidental's equity investments consist mainly of a 12-percent interest in Lyondell Chemical Company (Lyondell) acquired in August 2002, a 24.5-percent interest in the stock of Dolphin Energy Limited (Dolphin Energy), and other various partnerships and joint ventures, discussed below. Equity investments paid dividends of \$161 million, \$91 million and \$81 million to Occidental in 2005, 2004 and 2003, respectively. At December 31, 2005, cumulative undistributed earnings of equity-method investees since acquisition were \$72 million. At December 31, 2005, Occidental's investments in equity investees exceeded the underlying equity in net assets by \$375 million, of which \$260 million represents goodwill that will not be amortized and \$115 million represents intangible assets, which will be amortized over the life of the underlying assets, when placed into service.

In November 2004, Lyondell acquired Millennium Chemicals Inc. (Millennium) by issuing additional shares of Lyondell common stock. Under SEC Staff Accounting Bulletin No. 51, Occidental was required to record its share of the increase in Lyondell's net equity resulting from this issuance. The effect of this was an increase in the carrying value of Occidental's investment in Lyondell and a pre-tax gain of \$121 million. As a result of the stock issuance, Occidental's ownership percentage of Lyondell decreased from approximately 22 percent to 17 percent.

In 2005, Occidental sold 11 million shares of Lyondell stock for gross proceeds of approximately \$300 million. This sale resulted in a 2005 pre-tax gain of \$140 million. At December 31, 2005, Occidental still owned 30.3 million Lyondell shares of common stock (12 percent ownership), with a carrying value of \$468 million and a fair market value of \$722 million, and warrants to purchase an additional five million shares of Lyondell common stock. Occidental has no current plans to divest the remaining Lyondell shares. However, Occidental regularly reviews and analyzes its investments and other operations in order to determine how its stockholders' interests are best served. Occidental continues to account for this investment on the equity method since it has the ability to exercise significant influence over Lyondell.

The following table presents Occidental's percentage interest in the summarized financial information of its equity method investments:

For the years ended December 31, (in millions)	2005	2004	2003
Revenues	\$ 3,637	\$ 1,785	\$ 1,179
Costs and expenses	3,405	1,672	1,188
Net income (loss)	\$ 232	\$ 113	\$ (9)
Balance at December 31,	2005	2004	
Current assets	\$ 690	\$ 915	
Non-current assets	\$ 2,043	\$ 2,570	
Current liabilities	\$ 450	\$ 718	
Long-term debt	\$ 1,128	\$ 1,574	
Other non-current liabilities	\$ 600	\$ 603	
Stockholders' equity	\$ 554	\$ 590	

Occidental's investment in the Dolphin Project consists of two separate economic interests: a 24.5 percent undivided interest in a Development and Production Sharing Agreement, which is proportionately consolidated in the financial statements, and a 24.5 percent ownership interest in the stock of Dolphin Energy, which is accounted for as an equity investment. In July 2005, Dolphin Energy entered into a bridge loan in an amount of \$2.45 billion. The proceeds of the new bridge loan were used to pay off amounts outstanding on a previous bridge loan and will be used to fund the construction of the Dolphin Project. The new bridge loan has a term of four years and is a revolving credit facility, which may be converted to a term loan. In September 2005, Dolphin Energy entered into an agreement with banks to provide a \$1.0 billion Islamic-law-compliant facility to fund the construction of a certain portion of the Dolphin Project. This four-year financing facility is structured as a transaction in which Dolphin Energy constructs part of the midstream portion of the Dolphin Project on behalf of a group of Islamic investors and enters into a lease to use such assets upon construction completion. Occidental guarantees 24.5 percent of both of these obligations of Dolphin Energy. At December 31, 2005, Occidental's portion of the bridge loan drawdown was approximately \$400 million, of which \$299 million is recorded on the balance sheet. The remaining amount is included in the guarantee amounts discussed in Note 9. There were no draw downs on the Islamic-law-compliant facility at December 31, 2005.

In Ecuador, Occidental has a 14-percent interest in the OCP oil export pipeline. As of December 31, 2005, Occidental had contributed and advanced a total of \$73 million to the project. Occidental reports this investment in its consolidated statements using the equity method of accounting. The project was funded in part by senior project debt.

The senior project debt is to be repaid with the proceeds of ship-or-pay tariffs of certain upstream producers in Ecuador, including Occidental. Under their ship-or-pay commitments, Occidental and the other upstream producers have each assumed their respective share of project-specific risks, including operating risk, political risk and force-majeure risk. Occidental would be required to make an advance tariff payment in the event of prolonged force majeure, upstream expropriation events, bankruptcy of the pipeline company or its parent company, abandonment of the project, termination of an investment guarantee agreement with Ecuador, or certain defaults by Occidental. This advance tariff would be used by the pipeline company to service or prepay project debt. At December 31, 2005, Occidental's obligation relating to the pipeline company's senior project debt totaled \$100 million, and Occidental's obligations relating to performance bonds totaled \$14 million. Occidental's overall obligations will decrease with the reduction of the pipeline company's senior project debt.

Occidental has a 50-percent interest in Elk Hills Power LLC (EHP), a limited liability company that operates a gas-fired, power-generation plant in California. OCP and EHP are VIEs under the provisions of FIN 46. Occidental has concluded it is not the primary beneficiary of OCP or EHP and, therefore, accounts for these investments using the equity method.

ADVANCES TO EQUITY INVESTEES

In 2004, Occidental advanced \$203 million to an equity method investee under a note receivable (Note). The Note bears interest at 2 percent and is due December 31, 2007. In 2003, Occidental contributed \$57 million to an equity method investee that was converted to a subordinated revolving credit agreement (Revolver) in 2004. The Revolver bears interest at 18 percent and expires on December 31, 2021.

AVAILABLE-FOR-SALE SECURITIES

In the third quarter 2005, Valero Energy Corp. (Valero) and Premcor, Inc. (Premcor) executed a merger agreement for Valero to acquire Premcor. Occidental tendered its 9 million shares of Premcor common stock for cash and shares of Valero common stock pursuant to the Premcor-Valero agreement. Valero's acquisition of Premcor resulted in a \$704 million pre-tax gain and the subsequent sale of all of the Valero common shares received resulted in an additional \$22 million pre-tax gain.

RELATED-PARTY TRANSACTIONS

Occidental purchases power, steam and chemicals from its equity investees and sells chemicals and power to its equity investees at market related prices. During 2005, 2004 and 2003, Occidental entered into the following related-party transactions and had amounts due from/to its related parties:

December 31, (in millions)	2005	2004	2003
Purchases ^(a)	\$ 1,275	\$ 1,035	\$ 707
Sales	\$ 980	\$ 529	\$ 516
Services	\$ 6	\$ 13	\$ 1
Advances and amounts due from	\$ 256	\$ 315	\$ 74
Amounts due to	\$ 16	\$ 23	\$ 21

(a) In 2005, purchases from Lyondell accounted for 59 percent of the total.

NOTE 15 INDUSTRY SEGMENTS AND GEOGRAPHIC AREAS

Occidental has identified two reportable segments through which it conducts its continuing operations: oil and gas and chemical. The factors for determining the reportable segments were based on the distinct nature of their operations. They are managed as separate business units because each requires and is responsible for executing a unique business strategy. The oil and gas segment explores for, develops, produces and markets crude oil and natural gas domestically and internationally. The chemical segment manufactures and markets, domestically and internationally, basic chemicals, vinyls, chlorinated organics and performance chemicals.

Earnings of industry segments and geographic areas generally exclude interest income, interest expense, environmental remediation expenses, unallocated corporate expenses, discontinued operations and cumulative effect of changes in accounting principles, but include income from equity investments (except as noted below) and gains and losses from dispositions of segment and geographic area assets.

As of January 1, 2005, Occidental revised its reporting of segment earnings to show segment earnings before income taxes. All domestic and foreign income tax expense is now reflected in the "Corporate and Other" column. This change has been applied to all periods presented.

Identifiable assets are those assets used in the operations of the segments. Corporate and other assets consist of cash, short-term investments, certain corporate receivables, a 12-percent equity investment in Lyondell, 12-percent ownership interest in Premcor (sold in 2005), a leased cogeneration facility in Taft, Louisiana and a common carrier oil pipeline company.

Industry Segments

In millions

	Oil and Gas	Chemical	Corporate and Other	Total
YEAR ENDED DECEMBER 31, 2005				
Net sales	\$ 10,416 ^(a)	\$ 4,641 ^(b)	\$ 151	\$ 15,208
Pretax operating profit (loss)	\$ 6,293	\$ 607	\$ 392 ^(c)	\$ 7,292
Income taxes	—	—	(2,020)	(2,020)
Discontinued operations, net	—	—	6	6
Cumulative effect of changes in accounting principles, net	—	—	3	3
Net income (loss)	\$ 6,293 ^(d)	\$ 607 ^(e)	\$ (1,619) ^(f)	\$ 5,281
Unconsolidated equity investments	\$ 436	\$ 92	\$ 681	\$ 1,209
Property, plant and equipment additions, net ^(g)	\$ 2,236	\$ 173	\$ 14	\$ 2,423
Depreciation, depletion and amortization	\$ 1,214	\$ 251	\$ 20	\$ 1,485
Total assets	\$ 18,394	\$ 3,845	\$ 3,869	\$ 26,108
YEAR ENDED DECEMBER 31, 2004				
Net sales	\$ 7,582 ^(a)	\$ 3,675 ^(b)	\$ 111	\$ 11,368
Pretax operating profit (loss)	\$ 4,290	\$ 414	\$ (390) ^(c)	\$ 4,314
Income taxes	—	—	(1,708) ^(e)	(1,708)
Discontinued operations, net	—	—	(38)	(38)
Net income (loss)	\$ 4,290	\$ 414	\$ (2,136) ^(f)	\$ 2,568
Unconsolidated equity investments	\$ 426	\$ 83	\$ 1,218	\$ 1,727
Property, plant and equipment additions, net ^(g)	\$ 1,649	\$ 155	\$ 39	\$ 1,843
Depreciation, depletion and amortization	\$ 1,041	\$ 243	\$ 19	\$ 1,303
Total assets	\$ 14,549	\$ 3,470	\$ 3,372	\$ 21,391
YEAR ENDED DECEMBER 31, 2003				
Net sales	\$ 6,003 ^(a)	\$ 3,092 ^(b)	\$ 145	\$ 9,240
Pretax operating profit (loss)	\$ 3,213	\$ 223	\$ (604) ^(c)	\$ 2,832
Income taxes	—	—	(1,231) ^(e)	(1,231)
Discontinued operations, net	—	—	(6)	(6)
Cumulative effect of changes in accounting principles, net	—	—	(68)	(68)
Net income (loss)	\$ 3,213	\$ 223	\$ (1,909) ^(f)	\$ 1,527
Unconsolidated equity investments	\$ 386	\$ 61	\$ 708	\$ 1,155
Property, plant and equipment additions, net ^(g)	\$ 1,237	\$ 344	\$ 19	\$ 1,600
Depreciation, depletion and amortization	\$ 957	\$ 203	\$ 15	\$ 1,175
Total assets	\$ 13,089	\$ 3,512	\$ 1,567	\$ 18,168

Footnotes:

- (a) Oil sales represented approximately 78 percent, 78 percent and 74 percent of net sales for the years ending December 31, 2005, 2004 and 2003, respectively. In 2004, sales to a major oil and gas company totaled approximately 10.5 percent of consolidated net sales.
- (b) Total product sales for the chemical segment were as follows:

	Basic Chemicals	Commodity Vinyl Resins	Performance Chemicals
Year ended December 31, 2005	42%	50%	8%
Year ended December 31, 2004	33%	57%	10%
Year ended December 31, 2003	36%	52%	12%

Footnotes continued:

- (c) Includes unallocated net interest expense, administration expense, environmental remediation and other pre-tax special items noted in footnote (f) below.
 (d) Oil & Gas includes a 2005 contract settlement charge of \$26 million and a hurricane insurance charge of \$18 million.
 (e) Chemical includes the 2005 write-off of plants of \$159 million and a hurricane insurance charge of \$11 million.
 (f) Includes the following significant items affecting earnings for the years ended December 31:

Benefit (Charge) (In millions)	2005	2004	2003
CORPORATE			
Pre-tax operating profit (loss)			
Debt purchase expense	\$ (42)	\$ —	\$ (61)
Trust preferred redemption charge	—	(11)	—
Gain on sale of Lyondell shares	140	—	—
Gain on Premcor-Valero shares	726	—	—
Gain on Lyondell stock issuance	—	121	—
Equity investment impairment	(15)	—	—
Equity investment hurricane insurance charge	(2)	—	—
Hurricane insurance charge	(10)	(15)	—
	<u>797</u>	<u>95</u>	<u>(61)</u>
Income taxes			
State tax issue charge	(10)	—	—
Settlement of federal tax issues	619	47	—
Reversal of tax reserves	335	—	—
Tax effect of pre-tax adjustments	(219)	(35)	21
	<u>725</u>	<u>12</u>	<u>21</u>
Discontinued operations, net *	6	(38)	(6)
Changes in accounting principles, net *	<u>3</u>	<u>—</u>	<u>(68)</u>

* Amounts shown after-tax.

- (g) Excludes acquisitions of businesses. Amounts include capitalized interest of \$26 million in 2005, \$10 million in 2004 and \$4 million in 2003.

Geographic Areas

In millions

For the years ended December 31,	Net sales ^(a)			Property, plant and equipment, net		
	2005	2004	2003	2005	2004	2003
United States	\$ 10,553	\$ 8,055	\$ 6,719	\$ 13,550	\$ 11,612	\$ 11,581
Foreign						
Qatar	1,299	900	691	1,671	1,497	1,171
Colombia	829	629	489	214	207	100
Yemen	678	538	472	276	329	349
Ecuador	611	488	220	363	290	224
Oman	489	253	178	489	271	229
Canada	276	230	206	29	36	38
Libya	183	—	—	223	—	—
Pakistan	182	171	168	92	123	156
United Arab Emirates	—	—	—	568	240	109
Other Foreign	108	104	97	59	28	27
Total Foreign	<u>4,655</u>	<u>3,313</u>	<u>2,521</u>	<u>3,984</u>	<u>3,021</u>	<u>2,403</u>
Total	<u>\$ 15,208</u>	<u>\$ 11,368</u>	<u>\$ 9,240</u>	<u>\$ 17,534</u>	<u>\$ 14,633</u>	<u>\$ 13,984</u>

- (a) Sales are shown by individual country based on the location of the entity making the sale.

NOTE 16 COSTS AND RESULTS OF OIL AND GAS PRODUCING ACTIVITIES

Capitalized costs relating to oil and gas producing activities and related accumulated DD&A were as follows:

In millions	Consolidated Subsidiaries					Other Interests ^(c)
	United States	Latin America	Middle East/ North Africa	Other Eastern Hemisphere	Total	
DECEMBER 31, 2005						
Proved properties	\$ 13,756	\$ 1,453	\$ 4,923	\$ 247	\$ 20,379	\$ 47
Unproved properties ^(a)	475	—	385	36	896	—
Total property costs	14,231	1,453	5,308	283	21,275	47
Support facilities	700	51	109	103	963	17
Total capitalized costs ^(b)	14,931	1,504	5,417	386	22,238	64
Accumulated depreciation, depletion and amortization ^(d)	(4,292)	(927)	(2,189)	(259)	(7,667)	(26)
Net capitalized costs	\$ 10,639	\$ 577	\$ 3,228	\$ 127	\$ 14,571	\$ 38
DECEMBER 31, 2004						
Proved properties	\$ 11,480	\$ 1,238	\$ 4,048	\$ 256	\$ 17,022	\$ 32
Unproved properties ^(a)	457	20	18	—	495	—
Total property costs	11,937	1,258	4,066	256	17,517	32
Support facilities	500	56	100	86	742	15
Total capitalized costs ^(b)	12,437	1,314	4,166	342	18,259	47
Accumulated depreciation, depletion and amortization ^(d)	(3,553)	(816)	(1,829)	(217)	(6,415)	(13)
Net capitalized costs	\$ 8,884	\$ 498	\$ 2,337	\$ 125	\$ 11,844	\$ 34
DECEMBER 31, 2003						
Proved properties	\$ 10,547	\$ 978	\$ 3,298	\$ 246	\$ 15,069	\$ 34
Unproved properties ^(a)	867	10	20	—	897	1
Total property costs	11,414	988	3,318	246	15,966	35
Support facilities	443	57	97	81	678	—
Total capitalized costs ^(b)	11,857	1,045	3,415	327	16,644	35
Accumulated depreciation, depletion and amortization ^(d)	(2,949)	(720)	(1,557)	(171)	(5,397)	(1)
Net capitalized costs	\$ 8,908	\$ 325	\$ 1,858	\$ 156	\$ 11,247	\$ 34

(a) Primarily consists of California, Libya and Oman.

(b) Includes costs related to leases, exploration costs, lease and well equipment, pipelines and terminals, gas plant, other equipment and capitalized interest.

(c) Includes capitalized costs for equity investees in Russia and Yemen, partially offset by minority interests in a Colombian affiliate.

(d) Includes accumulated valuation allowance for unproved properties of \$108 million in 2005, \$28 million in 2004 and \$22 million in 2003.

Costs incurred in oil and gas property acquisition, exploration and development activities, whether capitalized or expensed, were as follows:

	Consolidated Subsidiaries					
In millions	United States	Latin America	Middle East/ North Africa	Other Eastern Hemisphere	Total	Other Interests ^(a)
FOR THE YEAR ENDED DECEMBER 31, 2005						
Property Acquisition Costs						
Proved Properties	\$ 1,744	\$ —	\$ 38	\$ —	\$ 1,782	\$ —
Unproved Properties	51	—	343	4	398	—
Exploration costs	39	69	47	102	257	(2)
Development costs ^(b)	942	142	834	14	1,932	15
Costs Incurred ^(a, c)	\$ 2,776	\$ 211	\$ 1,262	\$ 120	\$ 4,369	\$ 13
FOR THE YEAR ENDED DECEMBER 31, 2004						
Property Acquisition Costs						
Proved Properties	\$ 43	\$ 94	\$ 21	\$ —	\$ 158	\$ (12)
Unproved Properties	4	—	—	4	8	—
Exploration costs	31	47	28	52	158	—
Development costs ^(b)	581	156	715	11	1,463	10
Costs Incurred ^(a, c)	\$ 659	\$ 297	\$ 764	\$ 67	\$ 1,787	\$ (2)
FOR THE YEAR ENDED DECEMBER 31, 2003						
Property Acquisition Costs						
Proved Properties	\$ 345	\$ —	\$ 19	\$ —	\$ 364	\$ —
Unproved Properties	4	—	—	—	4	—
Exploration costs	27	30	17	24	98	(1)
Development costs ^(b)	477	98	516	18	1,109	10
Costs Incurred ^(a, c)	\$ 853	\$ 128	\$ 552	\$ 42	\$ 1,575	\$ 9

(a) Includes equity investees' costs in Russia and Yemen, partially offset by minority interests in a Colombian affiliate.

(b) Includes asset retirement costs of \$12 million in 2005, \$25 million in 2004 and \$12 million in 2003.

(c) Excludes capitalized CO₂ of \$59 million in 2005, \$54 million in 2004 and \$48 million in 2003.

The results of operations of Occidental's oil and gas producing activities, which exclude oil and gas trading activities and items such as asset dispositions, corporate overhead, interest and royalties, were as follows:

	Consolidated Subsidiaries					
In millions	United States	Latin America	Middle East/ North Africa	Other Eastern Hemisphere	Total	Other Interests ^(a)
FOR THE YEAR ENDED DECEMBER 31, 2005						
Revenues ^(b)	\$ 6,000	\$ 1,277	\$ 2,633 ^(d)	\$ 159	\$ 10,069	\$ 286
Production costs	1,311	191	207	15	1,724	203
Exploration expenses	132	77	56	72	337	(2)
Other operating expenses	291	79	112	13	495	7
Depreciation, depletion and amortization	706	118	347	42	1,213	11
Pretax income	3,560	812	1,911	17	6,300	67
Income tax expense ^(c)	982	312	1,028 ^(d)	16	2,338	3
Results of operations	\$ 2,578	\$ 500	\$ 883	\$ 1	\$ 3,962	\$ 64
FOR THE YEAR ENDED DECEMBER 31, 2004						
Revenues ^(b)	\$ 4,467	\$ 994	\$ 1,690 ^(d)	\$ 149	\$ 7,300	\$ 200
Production costs	1,016	168	175	16	1,375	122
Exploration expenses	117	28	20	49	214	1
Other operating expenses	226	73	77	16	392	6
Depreciation, depletion and amortization	622	96	276	46	1,040	12
Pretax income	2,486	629	1,142	22	4,279	59
Income tax expense ^(c)	689	270	525 ^(d)	14	1,498	9
Results of operations	\$ 1,797	\$ 359	\$ 617	\$ 8	\$ 2,781	\$ 50
FOR THE YEAR ENDED DECEMBER 31, 2003						
Revenues ^(b)	\$ 3,637	\$ 612	\$ 1,341 ^(d)	\$ 147	\$ 5,737	\$ 138
Production costs	813	122	183	16	1,134	91
Exploration expenses	79	20	17	23	139	(1)
Other operating expenses	207	41	76	13	337	7
Depreciation, depletion and amortization	637	60	209	48	954	17
Pretax income	1,901	369	856	47	3,173	24
Income tax expense ^(c)	500	179	415 ^(d)	26	1,120	9
Results of operations	\$ 1,401	\$ 190	\$ 441	\$ 21	\$ 2,053	\$ 15

(a) Includes results of operations for equity investees in Russia and Yemen, partially offset by minority interests in a Colombian affiliate.

(b) Revenues from net production exclude royalty payments and other adjustments.

(c) United States federal income taxes reflect certain expenses related to oil and gas activities allocated for United States income tax purposes only, including allocated interest and corporate overhead. Foreign income taxes were included in geographic areas on the basis of operating results.

(d) Revenues and income tax expense include taxes owed by Occidental but paid by governmental entities on its behalf.

Results per Unit of Production (Unaudited)

	Consolidated Subsidiaries					
	United States	Latin America	Middle East/ North Africa	Other Eastern Hemisphere	Total	Other Interests ^(a)
FOR THE YEAR ENDED						
DECEMBER 31, 2005						
Revenues from net production						
Oil (\$/bbl.)	\$ 50.80	\$ 44.79	\$ 75.43 ^(b)	\$ 46.75	\$ 55.46	\$ 37.20
Natural gas (\$/Mcf)	\$ 7.11	\$ —	\$ 1.52	\$ 2.44	\$ 6.21	\$ 0.16
Barrel of oil equivalent (\$/bbl.) ^(c,d)	\$ 47.80	\$ 44.79	\$ 70.53 ^(b)	\$ 24.04	\$ 50.86	\$ 34.12
Production costs	10.44	6.70	5.54	2.27	8.71	19.76
Exploration expenses	1.05	2.70	1.50	10.89	1.70	—
Other operating expenses	2.32	2.77	3.00	1.97	2.50	0.75
Depreciation, depletion and amortization	5.62	4.14	9.30	6.35	6.13	1.77
Pretax income	28.37	28.48	51.19	2.56	31.82	11.84
Income tax expense ^(e)	7.82	10.94	27.54 ^(b)	2.42	11.81	2.70
Results of operations	\$ 20.55	\$ 17.54	\$ 23.65	\$ 0.14	\$ 20.01	\$ 9.14
FOR THE YEAR ENDED						
DECEMBER 31, 2004						
Revenues from net production						
Oil (\$/bbl.)	\$ 37.72	\$ 32.75	\$ 50.85 ^(b)	\$ 33.13	\$ 39.56	\$ 24.31
Natural gas (\$/Mcf)	\$ 5.35	\$ —	\$ 0.97	\$ 2.25	\$ 4.60	\$ —
Barrel of oil equivalent (\$/bbl.) ^(c,d)	\$ 35.97	\$ 32.75	\$ 46.65 ^(b)	\$ 20.63	\$ 36.87	\$ 24.31
Production costs	8.18	5.54	4.83	2.21	6.95	12.11
Exploration expenses	0.94	0.92	0.55	6.78	1.08	0.09
Other operating expenses	1.82	2.41	2.13	2.21	1.98	0.83
Depreciation, depletion and amortization	5.01	3.16	7.62	6.37	5.25	1.66
Pretax income	20.02	20.72	31.52	3.06	21.61	9.62
Income tax expense ^(e)	5.55	8.90	14.49 ^(b)	1.94	7.57	2.77
Results of operations	\$ 14.47	\$ 11.82	\$ 17.03	\$ 1.12	\$ 14.04	\$ 6.85
FOR THE YEAR ENDED						
DECEMBER 31, 2003						
Revenues from net production						
Oil (\$/bbl.)	\$ 28.74	\$ 26.98	\$ 39.49 ^(b)	\$ 26.68	\$ 31.02	\$ 16.30
Natural gas (\$/Mcf)	\$ 4.81	\$ —	\$ —	\$ 2.04	\$ 4.49	\$ —
Barrel of oil equivalent (\$/bbl.) ^(c,d)	\$ 28.57	\$ 26.98	\$ 39.49 ^(b)	\$ 18.52	\$ 29.90	\$ 16.30
Production costs	6.39	5.38	5.39	2.02	5.91	8.50
Exploration expenses	0.62	0.88	0.50	2.90	0.72	—
Other operating expenses	1.63	1.81	2.24	1.64	1.76	0.79
Depreciation, depletion and amortization	5.00	2.64	6.15	6.05	4.97	1.93
Pretax income	14.93	16.27	25.21	5.91	16.54	5.08
Income tax expense ^(e)	3.93	7.89	12.22 ^(b)	3.27	5.84	2.19
Results of operations	\$ 11.00^(f)	\$ 8.38	\$ 12.99	\$ 2.64	\$ 10.70	\$ 2.89

(a) Includes results of operations for equity investees in Russia and Yemen.

(b) Revenues and income tax expense include taxes owed by Occidental but paid by governmental entities on its behalf.

(c) Natural gas volumes have been converted to equivalent barrels based on energy content of six Mcf of gas to one barrel of oil.

(d) Revenues from net production exclude royalty payments and other adjustments.

(e) United States federal income taxes reflect certain expenses related to oil and gas activities allocated for United States income tax purposes only, including allocated interest and corporate overhead. Foreign income taxes were included in geographic areas on the basis of operating results.

(f) The denominator in the computation of results per unit of production includes 2.1 mmbbl that were subject to volumetric production payments for 2003.

2005 Quarterly Financial Data (Unaudited)

In millions, except per-share amounts

Occidental Petroleum Corporation
and Subsidiaries

Three months ended	March 31	June 30	September 30	December 31
Segment net sales				
Oil and gas	\$ 2,219	\$ 2,353	\$ 2,817	\$ 3,027
Chemical	1,061	1,128	1,190	1,262
Other	23	37	50	41
Net sales	<u>\$ 3,303</u>	<u>\$ 3,518</u>	<u>\$ 4,057</u>	<u>\$ 4,330</u>
Gross profit	<u>\$ 1,771</u>	<u>\$ 1,890</u>	<u>\$ 2,224</u>	<u>\$ 2,344</u>
Segment earnings				
Oil and gas	\$ 1,349	\$ 1,325	\$ 1,760	\$ 1,859
Chemical	214	225	3	165
	<u>1,563</u>	<u>1,550</u>	<u>1,763</u>	<u>2,024</u>
Unallocated corporate items				
Interest expense, net				
Debt	(61)	(47)	(70)	(23)
Income taxes	(601)	(44)	(611)	(764)
Other	<u>(51)</u>	<u>73</u>	<u>660</u>	<u>(89)</u>
Income from continuing operations	850	1,532	1,742	1,148
Discontinued operations, net	(4)	4	2	4
Cumulative effect of changes in accounting principles	<u>—</u>	<u>—</u>	<u>3</u>	<u>—</u>
Net income	<u>\$ 846</u>	<u>\$ 1,536</u>	<u>\$ 1,747</u>	<u>\$ 1,152</u>
Basic earnings per common share				
Income from continuing operations	\$ 2.12	\$ 3.81	\$ 4.31	\$ 2.83
Discontinued operations, net	(0.01)	0.01	—	0.01
Cumulative effect of changes in accounting principles, net	<u>—</u>	<u>—</u>	<u>0.01</u>	<u>—</u>
Basic earnings per common share	<u>\$ 2.11</u>	<u>\$ 3.82</u>	<u>\$ 4.32</u>	<u>\$ 2.84</u>
Diluted earnings per common share				
Income from continuing operations	\$ 2.09	\$ 3.77	\$ 4.24	\$ 2.79
Discontinued operations, net	(0.01)	0.01	—	0.01
Cumulative effect of changes in accounting principles	<u>—</u>	<u>—</u>	<u>0.01</u>	<u>—</u>
Diluted earnings per common share	<u>\$ 2.08</u>	<u>\$ 3.78</u>	<u>\$ 4.25</u>	<u>\$ 2.80</u>
Dividends per common share	<u>\$ 0.31</u>	<u>\$ 0.31</u>	<u>\$ 0.31</u>	<u>\$ 0.36</u>
Market price per common share				
High	\$ 74.89	\$ 80.99	\$ 89.80	\$ 86.85
Low	<u>\$ 54.17</u>	<u>\$ 64.05</u>	<u>\$ 77.47</u>	<u>\$ 68.80</u>

2004 Quarterly Financial Data (Unaudited)

In millions, except per-share amounts

Occidental Petroleum Corporation
and Subsidiaries

Three months ended	March 31	June 30	September 30	December 31
Segment net sales				
Oil and gas	\$ 1,693	\$ 1,783	\$ 2,033	\$ 2,073
Chemical	834	911	945	985
Other	30	30	27	24
Net sales	<u>\$ 2,557</u>	<u>\$ 2,724</u>	<u>\$ 3,005</u>	<u>\$ 3,082</u>
Gross profit	<u>\$ 1,177</u>	<u>\$ 1,286</u>	<u>\$ 1,544</u>	<u>\$ 1,588</u>
Segment earnings ^(a)				
Oil and gas	\$ 915	\$ 980	\$ 1,216	\$ 1,179
Chemical	56	92	141	125
	<u>971</u>	<u>1,072</u>	<u>1,357</u>	<u>1,304</u>
Unallocated corporate items				
Interest expense, net				
Debt and trust preferred distributions	(68)	(60)	(59)	(53)
Income taxes	(363)	(384)	(495)	(466)
Other	<u>(51)</u>	<u>(44)</u>	<u>(44)</u>	<u>(11)</u>
Income from continuing operations	489	584	759	774
Discontinued operations, net	<u>(2)</u>	<u>(3)</u>	<u>(1)</u>	<u>(32)</u>
Net income	<u>\$ 487</u>	<u>\$ 581</u>	<u>\$ 758</u>	<u>\$ 742</u>
Basic earnings per common share				
Income from continuing operations	\$ 1.25	\$ 1.48	\$ 1.91	\$ 1.94
Discontinued operations, net	<u>(.01)</u>	<u>—</u>	<u>—</u>	<u>(.08)</u>
Basic earnings per common share	<u>\$ 1.24</u>	<u>\$ 1.48</u>	<u>\$ 1.91</u>	<u>\$ 1.86</u>
Diluted earnings per common share				
Income from continuing operations	\$ 1.24	\$ 1.46	\$ 1.88	\$ 1.91
Discontinued operations, net	<u>(.01)</u>	<u>—</u>	<u>—</u>	<u>(.08)</u>
Diluted earnings per common share	<u>\$ 1.23</u>	<u>\$ 1.46</u>	<u>\$ 1.88</u>	<u>\$ 1.83</u>
Dividends per common share	<u>\$.275</u>	<u>\$.275</u>	<u>\$.275</u>	<u>\$.275</u>
Market price per common share				
High	\$ 47.22	\$ 49.72	\$ 56.46	\$ 60.75
Low	<u>\$ 41.95</u>	<u>\$ 43.54</u>	<u>\$ 47.76</u>	<u>\$ 53.94</u>

(a) Quarterly amounts have been retrospectively adjusted to reflect segment earnings before domestic and foreign income taxes.

Supplemental Oil and Gas Information (Unaudited)

The following tables set forth Occidental's net interests in quantities of proved developed and undeveloped reserves of crude oil, condensate and natural gas and changes in such quantities. Crude oil reserves (in millions of barrels) include condensate. The reserves are stated after applicable royalties. These estimates include reserves in which Occidental holds an economic interest under PSCs and other economic arrangements.

The reserve estimation process involves reservoir engineers, geoscientists, planning engineers and financial analysts. As part of this process, all reserve volumes are estimated by a forecast of production rates, operating costs and capital expenditures. Price differentials between benchmark prices and prices realized and specifics of each operating agreement are then used to estimate the net reserves. Production rate forecasts are derived by a number of methods, including estimates from decline curve analyses, material balance calculations that take into account the volume of substances replacing the volumes produced and associated reservoir pressure changes, or computer simulation of the reservoir performance. Operating costs and capital costs are forecast based on past experience combined with expectations of future cost for the specific reservoirs. In many cases, activity-based cost models for a reservoir are utilized to project operating costs as production rates and the number of wells for production and injection vary.

A senior corporate officer of Occidental is responsible for the internal audit and review of its oil and gas reserves data. In addition, a Corporate Reserves Review Committee (the Reserves Committee) has been established, consisting of senior corporate officers, to monitor and review Occidental's oil and gas reserves. The Reserves Committee reports to the Audit Committee of Occidental's Board of Directors periodically throughout the year. Occidental retained Ryder Scott Company, L.P. (Ryder Scott), independent petroleum engineering consultants, to review its oil and gas estimation processes for 2004 and 2005.

Ryder Scott has compared Occidental's methods and procedures for estimating oil and gas reserves to generally accepted industry standards and has reviewed certain data, methods and procedures used in estimating reserve volumes, economic evaluations and reserve classifications. Ryder Scott then reviewed the specific application of such methods and procedures for a selection of oil and gas fields considered to be a valid representation of Occidental's total reserves portfolio.

Based on this review, including the data, technical processes and interpretations presented by Occidental, Ryder Scott has concluded that the methodologies used by Occidental in preparing the relevant estimates generally comply with current Securities and Exchange Commission standards. Ryder Scott has not been engaged to render an opinion as to the reserves volumes presented by Occidental.

Estimates of proven reserves are collected in a database and changes in this database are reviewed by engineering personnel to ensure accuracy. Finally, reserve volumes and changes are reviewed and approved by Occidental's senior management.

Oil Reserves

In millions of barrels

	Consolidated Subsidiaries					
	United States	Latin America	Middle East/ North Africa	Other Eastern Hemisphere	Total	Other Interests ^(b)
PROVED DEVELOPED AND UNDEVELOPED RESERVES						
Balance at December 31, 2002	1,452	158	304 ^(a)	14	1,928	42
Revisions of previous estimates	(11)	—	10	—	(1)	6
Improved recovery	58	6	21	—	85	4
Extensions and discoveries	4	11	25	1	41	6
Purchases of proved reserves	98	—	—	—	98	—
Sales of proved reserves	(8)	—	—	—	(8)	—
Production	(93)	(23)	(34)	(3)	(153)	(10)
Balance at December 31, 2003	1,500	152	326 ^(a)	12	1,990	48
Revisions of previous estimates	(4)	(4)	16	(3)	5	5
Improved recovery	72	6	10	—	88	1
Extensions and discoveries	9	18	3	—	30	2
Purchases of proved reserves	10	29	—	—	39	(4)
Production	(93)	(30)	(33)	(3)	(159)	(9)
Balance at December 31, 2004	1,494	171	322 ^(a)	6	1,993	43
Revisions of previous estimates	29	(21)	(34)	—	(26)	8
Improved recovery	98	16	3	—	117	—
Extensions and discoveries	7	9	36	—	52	1
Purchases of proved reserves	108	—	4	—	112	—
Sales of proved reserves	(8)	—	—	—	(8)	—
Production	(92)	(29)	(35)	(2)	(158)	(7)
Balance at December 31, 2005	1,636	146	296 ^(a)	4	2,082	45
PROVED DEVELOPED RESERVES ^(c)						
December 31, 2002	1,183	85	228	12	1,508	34
December 31, 2003	1,262	116	227	11	1,616	35
December 31, 2004	1,260	151	208	6	1,625	37
December 31, 2005	1,336	110	174	4	1,624	37

(a) All Middle East/North Africa reserves are related to PSCs.

(b) Includes reserves applicable to equity investees in Russia and Yemen, partially offset by minority interests in a Colombian affiliate.

(c) Approximately one percent of the proved developed reserves at December 31, 2005 are nonproducing. Over half of these reserves are located in Latin America and the remainder is in the United States and Middle East/North Africa. Plans are to begin producing these reserves in 2006.

Gas Reserves

In billions of cubic feet

	Consolidated Subsidiaries					
	United States	Latin America	Middle East/ North Africa	Other Eastern Hemisphere	Total	Other Interests
PROVED DEVELOPED AND UNDEVELOPED RESERVES						
Balance at December 31, 2002	1,821	—	106 ^(a)	122	2,049	—
Revisions of previous estimates	47	—	(10)	7	44	—
Improved recovery	68	—	—	2	70	9
Extensions and discoveries	38	—	558	1	597	—
Purchases of proved reserves	55	—	—	—	55	—
Sales of proved reserves	(9)	—	—	—	(9)	—
Production ^(b)	(194)	—	—	(27)	(221)	—
Balance at December 31, 2003	1,826	—	654 ^(a)	105	2,585	9
Revisions of previous estimates	94	—	134	13	241	(9)
Improved recovery	180	—	—	5	185	—
Extensions and discoveries	181	—	—	10	191	—
Purchases of proved reserves	7	—	—	—	7	—
Sales of proved reserves	(1)	—	—	—	(1)	—
Production	(186)	—	(20)	(27)	(233)	—
Balance at December 31, 2004	2,101	—	768 ^(a)	106	2,975	—
Revisions of previous estimates	53	—	(32)	9	30	6
Improved recovery	129	—	—	2	131	—
Extensions and discoveries	96	—	331	—	427	—
Purchases of proved reserves	164	—	—	—	164	—
Sales of proved reserves	(3)	—	—	—	(3)	—
Production	(202)	—	(16)	(28)	(246)	(6)
Balance at December 31, 2005	2,338	—	1,051 ^(a)	89	3,478	—
PROVED DEVELOPED RESERVES ^(c)						
December 31, 2002	1,630	—	—	110	1,740	—
December 31, 2003	1,618	—	91	94	1,803	9
December 31, 2004	1,644	—	100	95	1,839	—
December 31, 2005	1,846	—	73	80	1,999	—

(a) All Middle East/North Africa reserves are related to PSCs.

(b) Production excludes 12.7 bcf subject to volumetric production payments for 2003.

(c) Approximately two percent of the proved developed reserves at December 31, 2005 are nonproducing. Plans are to begin producing these reserves in 2006.

STANDARDIZED MEASURE, INCLUDING YEAR-TO-YEAR CHANGES THEREIN, OF DISCOUNTED FUTURE NET CASH FLOWS

For purposes of the following disclosures, estimates were made of quantities of proved reserves and the periods during which they are expected to be produced. Future cash flows were computed by applying year-end prices to Occidental's share of estimated annual future production from proved oil and gas reserves, net of royalties. Future development and production costs were computed by applying year-end costs to be incurred in producing and further developing the proved reserves. Future income tax expenses were computed by applying, generally, year-end statutory tax rates (adjusted for permanent differences, tax credits, allowances and foreign income repatriation considerations) to the estimated net future pre-tax cash flows. The discount was computed by application of a 10 percent discount factor. The calculations assumed the continuation of existing economic, operating and contractual conditions at each of December 31, 2005, 2004 and 2003. However, such arbitrary assumptions have not necessarily proven to be the case in the past. Other assumptions of equal validity would give rise to substantially different results.

The year-end prices used to calculate future cash flows vary by producing area and market conditions. For the 2005, 2004 and 2003 disclosures, the West Texas Intermediate oil prices used were \$61.04 per barrel, \$43.45 per barrel and \$32.52 per barrel, respectively. The Henry Hub gas prices used for the 2005, 2004 and 2003 disclosures were \$10.08/MMBtu, \$6.03/MMBtu and \$5.79/MMBtu, respectively.

Standardized Measure of Discounted Future Net Cash Flows

In millions

	Consolidated Subsidiaries					Other Interests ^(a)
	United States	Latin America	Middle East/ North Africa	Other Eastern Hemisphere	Total	
AT DECEMBER 31, 2005						
Future cash flows	\$ 105,307	\$ 6,515	\$ 15,574	\$ 441	\$ 127,837	\$ 1,695
Future costs						
Production costs and other operating expenses	(43,772)	(2,063)	(3,559)	(111)	(49,505)	(1,317)
Development costs ^(b)	(3,224)	(253)	(1,096)	(23)	(4,596)	(118)
Future net cash flows before income taxes	58,311	4,199	10,919	307	73,736	260
Future income tax expense	(19,509)	(1,748)	—	(102)	(21,359)	(8)
Future net cash flows	38,802	2,451	10,919	205	52,377	252
Ten percent discount factor	(21,608)	(677)	(4,463)	(36)	(26,784)	(53)
Standardized measure	\$ 17,194	\$ 1,774	\$ 6,456	\$ 169	\$ 25,593	\$ 199
AT DECEMBER 31, 2004						
Future cash flows	\$ 67,273	\$ 5,161	\$ 12,042	\$ 438	\$ 84,914	\$ 959
Future costs						
Production costs and other operating expenses	(28,518)	(2,334)	(3,236)	(147)	(34,235)	(633)
Development costs ^(b)	(2,214)	(185)	(1,421)	(30)	(3,850)	(55)
Future net cash flows before income taxes	36,541	2,642	7,385	261	46,829	271
Future income tax expense	(11,751)	(986)	—	(89)	(12,826)	40
Future net cash flows	24,790	1,656	7,385	172	34,003	311
Ten percent discount factor	(14,104)	(443)	(3,389)	(27)	(17,963)	(59)
Standardized measure	\$ 10,686	\$ 1,213	\$ 3,996	\$ 145	\$ 16,040	\$ 252
AT DECEMBER 31, 2003						
Future cash flows	\$ 53,939	\$ 3,977	\$ 10,232	\$ 556	\$ 68,704	\$ 987
Future costs						
Production costs and other operating expenses	(22,584)	(1,404)	(2,945)	(112)	(27,045)	(434)
Development costs ^(b)	(1,931)	(129)	(1,382)	(39)	(3,481)	(87)
Future net cash flows before income taxes	29,424	2,444	5,905	405	38,178	466
Future income tax expense	(9,090)	(1,070)	(626)	(169)	(10,955)	(141)
Future net cash flows	20,334	1,374	5,279	236	27,223	325
Ten percent discount factor	(11,644)	(355)	(2,390)	(47)	(14,436)	(81)
Standardized measure	\$ 8,690	\$ 1,019	\$ 2,889	\$ 189	\$ 12,787	\$ 244

(a) Includes future net cash flows applicable to equity investees in Russia and Yemen, partially offset by minority interests in a Colombian affiliate.

(b) Includes dismantlement and abandonment costs.

Changes in the Standardized Measure of Discounted Future Net Cash Flows From Proved Reserve Quantities

In millions

For the years ended December 31,

	2005	2004	2003
Beginning of year	\$ 16,040	\$ 12,787	\$ 12,429
Sales and transfers of oil and gas produced, net of production costs and other operating expenses	(7,298)	(5,397)	(4,162)
Net change in prices received per barrel, net of production costs and other operating expenses	14,475	5,868	1,874
Extensions, discoveries and improved recovery, net of future production and development costs	3,353	1,929	1,287
Change in estimated future development costs	(1,666)	(1,058)	(833)
Revisions of quantity estimates	(1,302)	115	133
Development costs incurred during the period	1,911	1,434	1,078
Accretion of discount	2,041	1,641	1,545
Net change in income taxes ^(a)	(4,212)	(712)	(638)
Purchases and sales of reserves in place, net	2,041	565	637
Changes in production rates and other	210	(1,132)	(563)
Net change	9,553	3,253	358
End of year	\$ 25,593	\$ 16,040	\$ 12,787

(a) Income taxes were reduced due to the ability to credit foreign taxes in the United States. United States tax on foreign entities was zero for 2004 and 2005 and \$486 million for 2003.

Average Sales Prices and Average Production Costs of Oil and Gas

The following table sets forth, for each of the three years in the period ended December 31, 2005, Occidental's approximate average sales prices and average production costs of oil and gas. Production costs are the costs incurred in lifting the oil and gas to the surface and include gathering, treating, primary processing, field storage, property taxes and insurance on proved properties, but do not include depreciation, depletion and amortization, royalties, income taxes, interest, general and administrative and other expenses.

	Consolidated Subsidiaries					Other Interests ^(c)
	United States	Latin America ^(a)	Middle East/ North Africa	Other Eastern Hemisphere ^(a)	Total	
2005						
Oil — Average sales price (\$/bbl.)	\$ 50.21	\$ 45.43	\$ 49.88 ^(d)	\$ 46.84	\$ 49.05	\$ 36.16
Gas — Average sales price (\$/Mcf)	\$ 7.11	\$ —	\$ 0.96	\$ 2.44	\$ 6.11	\$ 0.16
Average oil and gas production cost (\$/bbl.) ^(b)	\$ 10.44	\$ 6.70	\$ 5.54	\$ 2.27	\$ 8.71	\$ 19.76
2004						
Oil — Average sales price (\$/bbl.)	\$ 37.72	\$ 33.09	\$ 34.88 ^(d)	\$ 33.13	\$ 35.95	\$ 23.83
Gas — Average sales price (\$/Mcf)	\$ 5.35	\$ —	\$ 0.97	\$ 2.25	\$ 4.56	\$ —
Average oil and gas production cost (\$/bbl.) ^(b)	\$ 8.18	\$ 5.54	\$ 4.83	\$ 2.21	\$ 6.95	\$ 12.11
2003						
Oil — Average sales price (\$/bbl.)	\$ 28.74	\$ 27.21	\$ 27.81 ^(d)	\$ 26.61	\$ 28.18	\$ 15.95
Gas — Average sales price (\$/Mcf)	\$ 4.81	\$ —	\$ —	\$ 2.04	\$ 4.45	\$ —
Average oil and gas production cost (\$/bbl.) ^(b)	\$ 6.39	\$ 5.38	\$ 5.39	\$ 2.02	\$ 5.91	\$ 8.50

(a) Sales prices include royalties with respect to certain of Occidental's interests.

(b) Natural gas volumes have been converted to equivalent barrels based on energy content of six Mcf of gas to one barrel of oil.

(c) Includes prices and costs applicable to equity investees in Russia and Yemen.

(d) Excludes taxes owed by Occidental but paid by governmental entities on its behalf.

Net Productive and Dry — Exploratory and Development Wells Completed

The following table sets forth, for each of the three years in the period ended December 31, 2005, Occidental's net productive and dry-exploratory and development wells completed.

			Consolidated Subsidiaries					
			United States	Latin America	Middle East/ North Africa	Other Eastern Hemisphere	Total	Other Interests ^(a)
2005								
Oil	—	Exploratory	1.5	1.6	4.7	0.2	8.0	(0.3)
		Development	374.4	31.0	102.6	2.3	510.3	(0.1)
Gas	—	Exploratory	—	—	—	—	—	—
		Development	104.3	—	—	0.8	105.1	—
Dry	—	Exploratory	2.8	3.8	2.9	1.5	11.0	(0.4)
		Development	13.1	4.0	4.9	—	22.0	—
2004								
Oil	—	Exploratory	2.8	1.8	3.7	—	8.3	—
		Development	345.9	31.0	66.4	0.4	443.7	5.0
Gas	—	Exploratory	1.4	—	0.7	1.0	3.1	—
		Development	36.7	—	2.6	2.2	41.5	—
Dry	—	Exploratory	2.6	1.1	1.1	2.5	7.3	—
		Development	9.0	1.0	—	0.3	10.3	(0.1)
2003								
Oil	—	Exploratory	1.0	2.2	1.3	0.4	4.9	(0.1)
		Development	277.2	26.2	61.0	2.1	366.5	4.0
Gas	—	Exploratory	—	—	—	—	—	—
		Development	35.1	—	1.3	—	36.4	—
Dry	—	Exploratory	4.0	6.0	3.6	1.3	14.9	(0.9)
		Development	15.7	1.2	1.7	—	18.6	0.1

(a) Includes amounts applicable to equity investees in Russia and Yemen, partially offset by minority interests in a Colombian affiliate.

Productive Oil and Gas Wells

The following table sets forth, as of December 31, 2005, Occidental's productive oil and gas wells (both producing wells and wells capable of production). The numbers in parentheses indicate the number of wells with multiple completions.

		Consolidated Subsidiaries						
		United States	Latin America	Middle East/ North Africa	Other Eastern Hemisphere	Total	Other Interests	(c)
Wells at December 31, 2005								
Oil	Gross (a)	18,592 (624)	410 (7)	1,237 (31)	71 (—)	20,310 (662)	439	(50)
	Net (b)	13,234 (441)	219 (4)	597 (24)	32 (—)	14,082 (469)	198	(25)
Gas	Gross (a)	2,656 (58)	— (—)	19 (2)	35 (—)	2,710 (60)	1	(—)
	Net (b)	2,198 (38)	— (—)	16 (2)	15 (—)	2,229 (40)	1	(—)

(a) The total number of wells in which interests are owned.

(b) The sum of fractional interests.

(c) Includes amounts applicable to equity investees in Russia and Yemen, partially offset by minority interests in a Colombian affiliate.

Participation in Exploratory and Development Wells Being Drilled

The following table sets forth, as of December 31, 2005, Occidental's participation in exploratory and development wells being drilled.

	Consolidated Subsidiaries				Total	Other Interests ^(a)
	United States	Latin America	Middle East/ North Africa	Other Eastern Hemisphere		
Wells at December 31, 2005						
Exploratory and development wells						
— Gross	61	2	38	—	101	2
— Net	42	2	14	—	58	1

(a) Includes amounts applicable to equity investees in Russia and Yemen, partially offset by minority interests in a Colombian affiliate.

At December 31, 2005, Occidental was participating in 106 pressure maintenance projects in the United States, 6 in Latin America, 34 in the Middle East/North Africa and 4 in the Other Eastern Hemisphere.

Oil and Gas Acreage

The following table sets forth, as of December 31, 2005, Occidental's holdings of developed and undeveloped oil and gas acreage.

Thousands of acres at December 31, 2005	Consolidated Subsidiaries				Total	Other Interests ^(a)
	United States	Latin America	Middle East/ North Africa	Other Eastern Hemisphere		
Developed ^(a)						
— Gross ^(b)	4,450	39	647	568	5,704	114
— Net ^(c)	2,999	22	233	269	3,523	35
Undeveloped ^(d)						
— Gross ^(b)	1,832	24,534	34,004	11,832	72,202	5
— Net ^(c)	1,118	15,339	24,686	6,451	47,594	(449)

(a) Acres spaced or assigned to productive wells.

(b) Total acres in which interests are held.

(c) Sum of the fractional interests owned based on working interests, or interests under production-sharing contracts and other economic arrangements.

(d) Acres on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and gas, regardless of whether the acreage contains proved reserves.

(e) Includes amounts applicable to equity investees in Russia and Yemen, partially offset by minority interests in a Colombian affiliate.

Oil and Natural Gas Production Per Day

The following table sets forth, for each of the three years in the period ended December 31, 2005, Occidental's oil, NGLs and natural gas production per day.

	2005	2004	2003
United States			
Crude oil and liquids (MBBL)			
California	76	78	81
Permian	161	154	150
Horn Mountain	13	19	21
Hugoton and other	3	3	4
TOTAL	253	254	256
Natural Gas (MMCF)			
California	242	237	252
Hugoton and other	133	127	138
Permian	170	130	129
Horn Mountain	8	13	13
TOTAL	553	507	532
Latin America			
Crude oil and condensate (MBBL)			
Colombia	36	37	37
Ecuador	42	46	25
TOTAL	78	83	62
Middle East/North Africa			
Crude oil and condensate (MBBL)			
Oman	17	13	12
Qatar	42	45	45
Yemen	28	32	35
Libya	8	—	—
TOTAL	95	90	92
Natural Gas (MMCF)			
Oman	44	55	—
Other Eastern Hemisphere			
Crude oil and condensate (MBBL)			
Pakistan	5	7	9
Natural Gas (MMCF)			
Pakistan	77	75	74
Barrels of Oil Equivalent (MBOE)			
Subtotal consolidated subsidiaries	543	540	520
Colombia – minority interest	(4)	(4)	(5)
Russia – Occidental net interest	28	29	30
Yemen – Occidental net interest	1	1	2
Total worldwide production	568	566	547

Schedule II – Valuation and Qualifying Accounts

In millions

Occidental Petroleum Corporation
and Subsidiaries

	Balance at Beginning of Period	Additions		Deductions	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts		
2005					
Allowance for doubtful accounts	\$ 27	\$ —	\$ —	\$ —	\$ 27
Environmental	\$ 375	\$ 63	\$ 51 ^(a)	\$ (71) ^(b)	\$ 418
Foreign and other taxes, litigation and other reserves	1,082	50	11	(888) ^(c)	255
	<u>\$ 1,457</u>	<u>\$ 113</u>	<u>\$ 62</u>	<u>\$ (959)</u>	<u>\$ 673^(d)</u>
2004					
Allowance for doubtful accounts	\$ 24	\$ 3	\$ —	\$ —	\$ 27
Environmental	\$ 372	\$ 60	\$ 6	\$ (63) ^(b)	\$ 375
Foreign and other taxes, litigation and other reserves	1,167	41	—	(126) ^(e)	1,082
	<u>\$ 1,539</u>	<u>\$ 101</u>	<u>\$ 6</u>	<u>\$ (189)</u>	<u>\$ 1,457^(d)</u>
2003					
Allowance for doubtful accounts	\$ 28	\$ —	\$ —	\$ (4)	\$ 24
Environmental	\$ 393	\$ 64	\$ —	\$ (85) ^(b)	\$ 372
Foreign and other taxes, litigation and other reserves	1,104	14	80	(31) ^(f)	1,167
	<u>\$ 1,497</u>	<u>\$ 78</u>	<u>\$ 80</u>	<u>\$ (116)</u>	<u>\$ 1,539^(d)</u>

(a) Primarily represents acquisitions.

(b) Primarily represents payments.

(c) Includes reversal of tax reserves of \$874 million.

(d) Of these amounts, \$138 million, \$154 million and \$132 million in 2005, 2004 and 2003, respectively, are classified as current.

(e) Primarily represents balance sheet reclassifications and reclassifications to income.

(f) Primarily represents balance sheet reclassifications.

ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

Occidental's Chief Executive Officer and Chief Financial Officer supervised and participated in Occidental's evaluation of its disclosure controls and procedures as of the end of the period covered by this report. Disclosure controls and procedures are controls and procedures designed to ensure that information required to be disclosed in Occidental's periodic reports filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Based upon that evaluation, Occidental's Chief Executive Officer and Chief Financial Officer concluded that Occidental's disclosure controls and procedures are effective.

There has been no change in Occidental's internal control over financial reporting during the fourth quarter of 2005 that has materially affected, or is reasonably likely to materially affect, Occidental's internal control over financial reporting. Management's Annual Assessment of and Report on Occidental's Internal Control over Financial Reporting and the Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting, set forth in Item 8, are incorporated by reference herein.

Part III

ITEM 10 DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Occidental has adopted a Code of Business Conduct (Code). The Code applies to the chief executive officer, chief financial officer, chief accounting officer and persons performing similar functions (Key Personnel). The Code also applies to Occidental's directors, its employees and the employees of entities it controls. The Code is posted on the Occidental website www.oxy.com. Occidental will satisfy any disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, any provision of the Code with respect to its Key Personnel or directors by disclosing the nature of that amendment or waiver on its website.

This item incorporates by reference the information regarding Occidental's directors appearing under the caption "Election of Directors" in Occidental's definitive proxy statement filed in connection with its May 5, 2006, Annual Meeting of Stockholders (2006 Proxy Statement). See also the list of Occidental's executive officers and significant employees and related information under "Executive Officers" in Part I of this report.

ITEM 11 EXECUTIVE COMPENSATION

This item incorporates by reference the information appearing under the captions "Executive Compensation" (excluding, however, the information appearing under the subcaptions "Report of the Executive Compensation and Human Resources Committee" and "Performance Graph") and "Election of Directors — Information Regarding the Board of Directors and Its Committees" in the 2006 Proxy Statement.

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

This item incorporates by reference the information with respect to security ownership appearing under the caption "Security Ownership of Certain Beneficial Owners and Management" in the 2006 Proxy Statement.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

ITEM 14 PRINCIPAL ACCOUNTANT FEES AND SERVICES

This item incorporates by reference the information with respect to accountant fees and services appearing under the sub-captions "Audit and Other Fees" and "Report of the Audit Committee" in the 2006 Proxy Statement.

Part IV

ITEM 15 EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) and (2). Financial Statements and Financial Statement Schedule

Reference is made to the Index to Financial Statements and Related Information under Item 8 in Part II hereof, where these documents are listed.

(a) (3). Exhibits

- 2.1 Agreement and Plan of Merger among Occidental Petroleum Corporation, Occidental Transaction 1, LLC and Vintage Petroleum, Inc., dated as of October 13, 2005. (Disclosure schedules to this agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K) (filed as Exhibit 2.1 to Occidental's Current Report on Form 8-K dated October 13, 2005 (filed October 17, 2005), File No. 1-9210).
- 3.(i) Restated Certificate of Incorporation of Occidental, dated November 12, 1999 (filed as Exhibit 3.(i) to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1999, File No. 1-9210).

* Incorporated herein by reference

- 3.(i)(a) Certificate of Change of Location of Registered Office and of Registered Agent, dated July 6, 2001. (filed as Exhibit 3.1(i) to the Registration Statement on Form S-3 of Occidental, File No. 333-82246).
- 3.(ii) Bylaws of Occidental, as amended through February 12, 2004 (filed as Exhibit 3.(ii) to the Registration Statement on Form S-8 of Occidental, File No. 333-78031).
- 4.1 Occidental Petroleum Corporation Five-Year Credit Agreement, dated as of June 18, 2004, among Occidental, JPMorgan Chase Bank and Citicorp USA, Inc., as Co-Syndication Agents, BNP Paribas, Bank of America, N.A., Barclays Bank PLC and The Royal Bank of Scotland PLC as Co-Documentation Agents, The Bank of Nova Scotia, as Administrative Agent, and the banks named therein (filed as Exhibit 4.1 to the Quarterly Report on Form 10-Q of Occidental for the fiscal quarter ended June 30, 2004, File No. 1-9210).
- 4.2 Indenture (Senior Debt Securities), dated as of April 1, 1998, between Occidental and The Bank of New York, as Trustee (filed as Exhibit 4 to the Registration Statement on Form S-3 of Occidental, File No. 333-52053).
- 4.3 Specimen certificate for shares of Common Stock (filed as Exhibit 4.9 to the Registration Statement on Form S-3 of Occidental, File No. 333-82246).
- 4.4 Instruments defining the rights of holders of other long-term debt of Occidental and its subsidiaries are not being filed since the total amount of securities authorized under each of such instruments does not exceed 10 percent of the total assets of Occidental and its subsidiaries on a consolidated basis. Occidental agrees to furnish a copy of any such instrument to the Commission upon request.

All of the Exhibits numbered 10.1 to 10.74 are management contracts and compensatory plans required to be identified specifically as responsive to Item 601(b)(10)(iii)(A) of Regulation S-K pursuant to Item 15(c) of Form 10-K.

- 10.1 Amended and Restated Employment Agreement, dated as of February 10, 2005, between Occidental and Dr. Ray R. Irani (filed as Exhibit 10.1 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2004, File No. 1-9210).
- 10.2 Employment Agreement, dated as of January 13, 2005, between Occidental and Stephen I. Chazen (filed as Exhibit 10.5 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2004, File No. 1-9210).
- 10.3 Employment Agreement, dated May 19, 2003, between Occidental and Donald P. de Brier (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 2003, File No. 1-9210).
- 10.4 Form of Indemnification Agreement between Occidental and each of its directors and certain executive officers (filed as Exhibit B to the Proxy Statement of Occidental for its May 21, 1987, Annual Meeting of Stockholders, File No. 1-9210).
- 10.5 Occidental Petroleum Corporation Split Dollar Life Insurance Program and Related Documents (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended September 30, 1994, File No. 1-9210).
- 10.6 Split Dollar Life Insurance Agreement, dated January 24, 2002, by and between Occidental and Donald P. de Brier (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 2002, File No. 1-9210).
- 10.7 Occidental Petroleum Insured Medical Plan, as amended and restated effective April 29, 1994, amending and restating the Occidental Petroleum Corporation Executive Medical Plan (as amended and restated effective April 1, 1993) (filed as Exhibit 10 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ending March 31, 1994, File No. 1-9210).
- 10.8 Occidental Petroleum Corporation Deferred Compensation Plan, Second Amendment and Restatement Effective as of January 1, 2003 (filed as Exhibit 10.14 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2003, File No. 1-9210).
- 10.9 Amendment to Occidental Petroleum Corporation Deferred Compensation Plan (filed as Exhibit 10.17 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2004, File No. 1-9210).
- 10.10 Occidental Petroleum Corporation 2005 Deferred Compensation Plan (Restatement Effective as of January 1, 2005).

* Incorporated herein by reference

- 10.11^{*} Occidental Petroleum Corporation Senior Executive Supplemental Life Insurance Plan (effective as of January 1, 1986, as amended and restated effective as of January 1, 1996) (filed as Exhibit 10.25 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1995, File No. 1-9210).
- 10.12^{*} Occidental Petroleum Corporation Senior Executive Survivor Benefit Plan (effective as of January 1, 1986, as amended and restated effective as of January 1, 1996) (filed as Exhibit 10.27 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1995, File No. 1-9210).
- 10.13^{*} Amendment No. 1 to Occidental Petroleum Corporation Senior Executive Survivor Benefit Plan, dated February 28, 2002 (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 2002, File No. 1-9210).
- 10.14^{*} Occidental Petroleum Corporation 1995 Incentive Stock Plan, as amended (filed as Exhibit 10.28 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1999, File No. 1-9210).
- 10.15^{*} Form of Incentive Stock Option Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.2 to the Registration Statement on Form S-8 of Occidental, File No. 33-64719).
- 10.16^{*} Form of Nonqualified Stock Option Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.3 to the Registration Statement on Form S-8 of Occidental, File No. 33-64719).
- 10.17^{*} Form of Restricted Stock Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.5 to the Registration Statement on Form S-8 of Occidental, File No. 33-64719).
- 10.18^{*} Form of Performance Stock Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.6 to the Registration Statement on Form S-8 of Occidental, File No. 33-64719).
- 10.19^{*} Form of Incentive Stock Option Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 10.2 to the Current Report on Form 8-K of Occidental, dated January 6, 1999 (date of earliest event reported), filed January 6, 1999, File No. 1-9210, amends Form previously filed as Exhibit 10.1 to the Registration Statement on Form S-8 of Occidental, File No. 33-64719 and incorporated by reference as Exhibit 10.39 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1997, File No. 1-9210).
- 10.20^{*} Form of Nonqualified Stock Option Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 10.3 to the Current Report on Form 8-K of Occidental, dated January 6, 1999 (date of earliest event reported), filed January 6, 1999, File No. 1-9210, amends Form previously filed as Exhibit 10.2 to the Registration Statement on Form S-8 of Occidental, File No. 33-64719 and incorporated by reference as Exhibit 10.40 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1997, File No. 1-9210).
- 10.21^{*} Form of Incentive Stock Option Agreement (With Accelerated Performance Vesting) under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 1999, File No. 1-9210).
- 10.22^{*} Form of Nonqualified Stock Option Agreement (With Accelerated Performance Vesting) under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 1999, File No. 1-9210).
- 10.23^{*} Form of 1997 Performance Stock Option Agreement under the 1995 Incentive Stock Plan of Occidental Petroleum Corporation (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 1997, File No. 1-9210).
- 10.24^{*} Form of Amendment to 1997 Performance Stock Option Agreement under the 1995 Incentive Stock Plan of Occidental Petroleum Corporation (filed as Exhibit 10.43 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1999, File No. 1-9210).
- 10.25^{*} Occidental Petroleum Corporation 1996 Restricted Stock Plan for Non-Employee Directors, amended as of February 10, 2005 (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 2005, File No. 1-9210).
- 10.26^{*} Form of Restricted Stock Option Assignment under Occidental Petroleum Corporation 1996 Restricted Stock Plan for Non-Employee Directors (filed as Exhibit 99.2 to the Registration Statement on Form S-8 of Occidental, File No. 333-02901).
- 10.27^{*} Form of Restricted Stock Agreement under Occidental Petroleum Corporation 1996 Restricted Stock Plan for Non-Employee Directors (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 2003, File No. 1-9210).

^{*} Incorporated herein by reference

- 10.28^{*} Occidental Petroleum Corporation Supplemental Retirement Plan, Amended and Restated Effective as of January 1, 1999, reflecting amendments effective through March 1, 2001 (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 2001, File No. 1-9210).
- 10.29^{*} Amendment Number 2 to the Occidental Petroleum Corporation Supplemental Retirement Plan (As Amended and Restated Effective January 1, 1999 Reflecting Amendments Effective through March 1, 2001) (filed as Exhibit 10.1 to the Current Report on Form 8-K of Occidental dated December 7, 2004 (date of earliest event reported), filed December 8, 2004, File No. 1-9210).
- 10.30^{*} Summary of Material Terms and Conditions of Supplemental Retirement Allocations (effective as of January 1, 2005) (filed as Exhibit 10.39 to the Current Report on Form 8-K of Occidental dated April 6, 2005 (date of earliest event reported), filed April 6, 2005, File No. 1-9210).
- 10.31^{*} Occidental Petroleum Corporation 2001 Incentive Compensation Plan (as amended through September 12, 2002) (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended September 30, 2002, File No. 1-9210).
- 10.32^{*} Form of Incentive Stock Option Agreement under Occidental Petroleum Corporation 2001 Incentive Compensation Plan (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended September 30, 2001, File No. 1-9210).
- 10.33^{*} Form of Nonqualified Stock Option Agreement under Occidental Petroleum Corporation 2001 Incentive Compensation Plan (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended September 30, 2001, File No. 1-9210).
- 10.34^{*} Form of Restricted Common Share Agreement under Occidental Petroleum Corporation 2001 Incentive Compensation Plan (filed as Exhibit 10.40 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2001, File No. 1-9210).
- 10.35^{*} Amended And Restated Performance-Based Stock Award Terms And Conditions under Occidental Petroleum Corporation 2001 Incentive Compensation Plan for January 1, 2002 Grant (Effective June 20, 2005) (Corporate) (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 2005, File No. 1-9210).
- 10.36^{*} Amended And Restated Performance-Based Stock Award Terms And Conditions under Occidental Petroleum Corporation 2001 Incentive Compensation Plan for January 1, 2002 Grant (Effective June 20, 2005) (Oil and Gas) (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 2005, File No. 1-9210).
- 10.37^{*} Amended And Restated Performance-Based Stock Award Terms And Conditions under Occidental Petroleum Corporation 2001 Incentive Compensation Plan for January 1, 2002 Grant (Effective June 20, 2005) (Chemicals) (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 2005, File No. 1-9210).
- 10.38^{*} Form of Incentive Stock Option Agreement under Occidental Petroleum Corporation 2001 Incentive Compensation Plan (July 2002 version) (filed as Exhibit 10.4 to the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002, File No. 1-9210).
- 10.39^{*} Form of Nonqualified Stock Option Agreement under Occidental Petroleum Corporation 2001 Incentive Compensation Plan (July 2002 version) (filed as Exhibit 10.5 to the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002, File No. 1-9210).
- 10.40^{*} Form of Restricted Common Share Agreement (with mandatory deferred issuance of shares) under Occidental Petroleum Corporation 2001 Incentive Compensation Plan (filed as Exhibit 10.6 to the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002, File No. 1-9210).
- 10.41^{*} Form of Restricted Common Share Agreement (with mandatory deferred issuance of shares) under Occidental Petroleum Corporation 2001 Incentive Compensation Plan (December 2002 version) (filed as Exhibit 10.47 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2002, File No. 1-9210).
- 10.42^{*} Amended And Restated Performance-Based Stock Award Terms And Conditions For January 1, 2003 Grant (Effective June 20, 2005) (Corporate) (filed as Exhibit 10.4 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 2005, File No. 1-9210).
- 10.43^{*} Amended And Restated Performance-Based Stock Award Terms And Conditions For January 1, 2003 Grant (Effective June 20, 2005) (Chemicals) (filed as Exhibit 10.5 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 2005, File No. 1-9210).

^{*} Incorporated herein by reference

- 10.44* Terms and Conditions for Incentive Stock Option Award under Occidental Petroleum Corporation 2001 Incentive Compensation Plan (July 2003 version) (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 2003, File No. 1-9210).
- 10.45* Terms and Conditions for Nonqualified Stock Option Award under Occidental Petroleum Corporation 2001 Incentive Compensation Plan (July 2003 version) (filed as Exhibit 10.4 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 2003, File No. 1-9210).
- 10.46* Terms and Conditions of Restricted Share Unit Award (with mandatory deferred issuance of shares) under Occidental Petroleum Corporation 2001 Incentive Compensation Plan (July 2003 version) (filed as Exhibit 10.5 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 2003, File No. 1-9210).
- 10.47* Terms and Conditions of Restricted Share Unit Award (with mandatory deferred issuance of shares) under Occidental Petroleum Corporation 2001 Incentive Compensation Plan (December 2003 version) (filed as Exhibit 10.45 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2003, File No. 1-9210).
- 10.48* Amended And Restated Performance-Based Stock Award Terms And Conditions For January 1, 2004 Grant (Effective June 20, 2005) (Corporate) (filed as Exhibit 10.6 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 2005, File No. 1-9210).
- 10.49* Amended And Restated Performance-Based Stock Award Terms And Conditions For January 1, 2004 Grant (Effective June 20, 2005) (Chemicals) (filed as Exhibit 10.7 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 2005, File No. 1-9210).
- 10.50* Amended And Restated Performance-Based Stock Award Terms And Conditions For January 1, 2004 Grant (Effective June 20, 2005) (Oil and Gas) (filed as Exhibit 10.8 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 2005, File No. 1-9210).
- 10.51* Terms and Conditions of Stock Appreciation Rights Award under Occidental Petroleum Corporation 2001 Incentive Compensation Plan (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q of Occidental for the fiscal quarter ended June 30, 2004, File No. 1-9210).
- 10.52* Terms and Conditions of Restricted Share Unit Award (without deferred issuance of shares) under Occidental Petroleum Corporation 2001 Incentive Compensation Plan (filed as Exhibit 10.4 to the Quarterly Report on Form 10-Q of Occidental for the fiscal quarter ended June 30, 2004, File No. 1-9210).
- 10.53* Terms and Conditions of Restricted Share Unit Award under Occidental Petroleum Corporation 2001 Incentive Compensation Plan (December 2004 version) (filed as Exhibit 10.57 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2004, File No. 1-9210).
- 10.54* Amended And Restated Performance-Based Stock Award Terms And Conditions For January 1, 2005 Grant (Effective June 20, 2005) (Corporate) (filed as Exhibit 10.9 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 2005, File No. 1-9210).
- 10.55* Amended And Restated Performance-Based Stock Award Terms And Conditions For January 1, 2005 Grant (Effective June 20, 2005) (Chemicals) (filed as Exhibit 10.10 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 2005, File No. 1-9210).
- 10.56* Amended And Restated Performance-Based Stock Award Terms And Conditions For January 1, 2005 Grant (Effective June 20, 2005) (Oil and Gas) (filed as Exhibit 10.11 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 2005, File No. 1-9210).
- 10.57* Occidental Petroleum Corporation 2005 Long-Term Incentive Plan (filed as Exhibit 99.1 to Occidental's Registration Statement on Form S-8, File No. 333-124732).
- 10.58* Terms and Conditions of Stock Appreciation Rights Award under Occidental Petroleum Corporation 2005 Long-Term Incentive Plan (filed as Exhibit 10.12 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 2005, File No. 1-9210).
- 10.59* Terms and Conditions of Restricted Share Unit Award under Occidental Petroleum Corporation 2005 Long-Term Incentive Plan (filed as Exhibit 10.13 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 2005, File No. 1-9210).
- 10.60* Terms and Conditions of Restricted Share Unit Award (mandatory deferred issuance of shares) under Occidental Petroleum Corporation 2005 Long-Term Incentive Plan (filed as Exhibit 10.14 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 2005, File No. 1-9210).
- 10.61* Agreement to Amend Outstanding Option Awards, dated October 26, 2005 (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended September 30, 2005, File No. 1-9210).

* Incorporated herein by reference

- 10.62 Terms and Conditions of Restricted Share Unit Award (mandatory deferred issuance of shares) under Occidental Petroleum Corporation 2005 Long-Term Incentive Plan (December 2005 version).
- 10.63 Terms and Conditions of Performance-Based Stock Award (deferred issuance of shares) under Occidental Petroleum Corporation 2005 Long-Term Incentive Plan (January 2006 version – Corporate).
- 10.64 Terms and Conditions of Performance-Based Stock Award (deferred issuance of shares) under Occidental Petroleum Corporation 2005 Long-Term Incentive Plan (January 2006 version – Oil and Gas).
- 10.65 Terms and Conditions of Performance-Based Stock Award (deferred issuance of shares) under Occidental Petroleum Corporation 2005 Long-Term Incentive Plan (January 2006 version – Chemicals).
- 10.66 Occidental Petroleum Corporation Deferred Stock Program (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended September 30, 2002, File No. 1-9210).
- 10.67 Amendment to Occidental Petroleum Corporation Deferred Stock Program (filed as Exhibit 10.62 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2004, File No. 1-9210).
- 10.68 Occidental Petroleum Corporation 2005 Deferred Stock Program (Restatement Effective as of January 1, 2005).
- 10.69 Occidental Petroleum Corporation Executive Incentive Compensation Plan.
- 10.70 Description of financial counseling program (filed as Exhibit 10.50 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2003, File No. 1-9210).
- 10.71 Description of group excess liability insurance program (filed as Exhibit 10.51 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2003, File No. 1-9210).
- 10.72 Executive Stock Ownership Guidelines (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2005, File No. 1-9210).
- 10.73 Form of Restricted Stock Award for Non-Employee Directors under Occidental Petroleum Corporation 2005 Long-Term Incentive Plan (filed as Exhibit 10.1 to the Current Report on Form 8-K of Occidental dated February 16, 2006 (date of earliest event reported), filed February 22, 2006, File No. 1-9210).
- 10.74 Director Retainer and Attendance Fees (filed as Exhibit 10.2 to the Current Report on Form 8-K of Occidental dated February 16, 2006 (date of earliest event reported), filed February 22, 2006, File No. 1-9210).
- 10.75 Securities Purchase Agreement, dated as of July 8, 2002, by and between Lyondell Chemical Company and Occidental Chemical Holding Corporation (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Occidental dated August 22, 2002 (date of earliest event reported), filed September 6, 2002, File No. 1-9210).
- 10.76 Stockholders Agreement, dated as of August 22, 2002, by and among Lyondell Chemical Company and the Stockholders as defined therein (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Occidental dated August 22, 2002 (date of earliest event reported), filed September 6, 2002, File No. 1-9210).
- 10.77 Warrant for the Purchase of Shares of Common Stock, issued August 22, 2002 (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K of Occidental dated August 22, 2002 (date of earliest event reported), filed September 6, 2002, File No. 1-9210).
- 10.78 Registration Rights Agreement, dated as of August 22, 2002, by and between Occidental Chemical Holding Corporation and Lyondell Chemical Company (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K of Occidental dated August 22, 2002 (date of earliest event reported), filed September 6, 2002, File No. 1-9210).
- 10.79 Occidental Partner Sub Purchase Agreement, dated July 8, 2002, by and among Lyondell Chemical Company, Occidental Chemical Holding Corporation, Oxy CH Corporation and Occidental Chemical Corporation (incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K of Occidental dated August 22, 2002 (date of earliest event reported), filed September 6, 2002, File No. 1-9210).
- 12 Statement regarding computation of total enterprise ratios of earnings to fixed charges for each of the five years in the period ended December 31, 2005.
- 21 List of subsidiaries of Occidental at December 31, 2005.
- 23.1 Independent Registered Public Accounting Firm's Consent.
- 23.2 Expert Consent.
- 31.1 Certification of CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certifications of CEO and CFO Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

¹ Incorporated herein by reference

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

OCCIDENTAL PETROLEUM CORPORATION

March 1, 2006

By: /s/ RAY R. IRANI
 Ray R. Irani
 Chairman of the Board of Directors,
 President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ RAY R. IRANI</u> Ray R. Irani	Chairman of the Board of Directors, President and Chief Executive Officer	March 1, 2006
<u>/s/ STEPHEN I. CHAZEN</u> Stephen I. Chazen	Senior Executive Vice President and Chief Financial Officer	March 1, 2006
<u>/s/ JIM A. LEONARD</u> Jim A. Leonard	Vice President and Controller (Principal Accounting Officer)	March 1, 2006
<u>/s/ SPENCER ABRAHAM</u> Spencer Abraham	Director	March 1, 2006
<u>/s/ RONALD W. BURKLE</u> Ronald W. Burkle	Director	March 1, 2006
<u>/s/ JOHN S. CHALSTY</u> John S. Chalsty	Director	March 1, 2006
<u>/s/ EDWARD P. DJEREJIAN</u> Edward P. Djerejian	Director	March 1, 2006
<u>/s/ R. CHAD DREIER</u> R. Chad Dreier	Director	March 1, 2006
<u>/s/ JOHN E. FEICK</u> John E. Feick	Director	March 1, 2006

<u>Signature</u>	<u>Title</u>	<u>Date</u>
_____ /s/ IRVIN W. MALONEY Irvin W. Maloney	Director	March 1, 2006
_____ /s/ RODOLFO SEGOVIA Rodolfo Segovia	Director	March 1, 2006
_____ /s/ AZIZ D. SYRIANI Aziz D. Syriani	Director	March 1, 2006
_____ /s/ ROSEMARY TOMICH Rosemary Tomich	Director	March 1, 2006
_____ /s/ WALTER L. WEISMAN Walter L. Weisman	Director	March 1, 2006



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APPENDIX G
CERTIFICATE OF LIABILITY INSURANCE



Occidental Chemical Corporation OxyChem

A Subsidiary of Occidental Petroleum Corporation



5005 LBJ Freeway, Suite 2200, Dallas, TX 75244-6119
P. O. Box 809050, Dallas, TX 75380-9050
Phone 972.404.4865 Fax 972.404.3350

VIA CERTIFIED MAIL RETURN RECEIPT REQUESTED

November 10, 2006

Louisiana Department of Environmental Quality
Office of Management and Finance
Financial Services Division
P.O. Box 4303
Baton Rouge, La. 70821-4303

Attn : Carol Stamey

Re: Occidental Chemical Corporation
Financial Assurance Documentation
GD-089-1288 - Hahnville, Louisiana
GD-093-0517 - Convent, Louisiana
LAD 092681824 - Geismar, Louisiana

Dear Sir/Madam:

Enclosed for your records are Solid Waste Facility Certificates of Liability Insurance for the above referenced facilities.

If you have any questions concerning the documents enclosed with this letter, please contact Steve Jones, Assistant Director Casualty Insurance at 972-404-3542 or you may call me at 972-404-2411.

Very truly yours,

OCCIDENTAL CHEMICAL CORPORATION

Frederick G. Fedri
Principal Environmental Specialist

CC: Linn Fink, Bryan McDowell, Sharon Caughman

A Member Company of American International Group
 2929 Allen Parkway, Suite 1300
 Houston, Texas 77019



AIG Global Energy

A Division of American International Companies®

SOLID WASTE FACILITY CERTIFICATE OF LIABILITY INSURANCE

Secretary

Louisiana Department of Environmental Quality

Post Office Box 4313

Baton Rouge, Louisiana 70821-4313

Attention: Office of Environmental Services, Water and Waste Permits Division

Dear Madam/Sir:

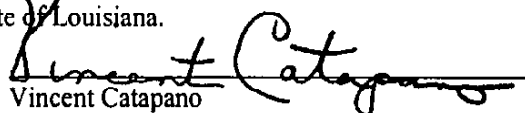
1. National Union Fire Insurance Company of Pittsburgh, PA (the "Insurer"), of 70 Pine Street, New York, New York 10270 hereby certifies that it has issued liability insurance covering bodily injury and property damage to Occidental Chemical Corporation, (the "Insured"), of Occidental Tower, 5005 LBJ Freeway, Dallas, Texas 75244 in connection with the Insured's obligation to demonstrate the financial responsibility under LAC 33.VII.727.A.1.

The coverage applies at AI 1137/GD-089-1288, Permit Applications P-0011, P-0262, P-0263 and P-0264 Occidental Chemical Corporation, St. Charles parish Basic Chemicals, P.O. Box 74, Hahnville, Louisiana 70057 for sudden accidental occurrences. The limits of liability are \$1,000,000 each occurrence and \$2,000,000 annual aggregate, per site exclusive of legal defense costs. The coverage is provided under policy number GLCM6432052 issued on November 1, 2006. The effective date of said policy is November 1, 2006.

2. The Insurer further certifies the following with respect to the insurance described in Paragraph 1:
 - (a) Bankruptcy or insolvency of the Insured shall not relieve the Insurer of its obligations under the Policy.
 - (b) The Insurer is liable for the payment of amounts within any deductible applicable to the policy, with a right of reimbursement by the insured for any such payment made by the Insurer. This provision does not apply with respect to that amount of any deductible for which coverage is demonstrated as specified in LAC 33.VII.727.A.1.d.i.i.iii or iv.
 - (c) Whenever requested by the administrative authority, the Insurer agrees to furnish him a signed duplicate original of the policy and all endorsements.
 - (d) Cancellation of the insurance, whether by the Insurer or the Insured, will be effective only upon written notice and upon lapse of 60 days after a copy of such written notice is received by the administrative authority.
 - (e) Any other termination of the insurance will be effective only upon written notice and upon lapse of 30 days after a copy of such written notice is received by the administrative authority.
3. I hereby certify that the wording of this certificate is identical to the wording specified in LAC 33.VII.727.A.1.d.i.(e) as such regulations were constituted on the date first written above, and

that the insurer is licensed to transact the business of insurance, or eligible to provide insurance as an excess or surplus lines insurer, in one or more states, and is admitted, authorized, or eligible to conduct insurance business in the state of Louisiana.

Authorized Representative:



Vincent Catapano

Authorized Representative

American International Group, Inc.

2929 Allen Parkway, Suite 1300

Houston, TX 77019-2128

Date: 11/3/06

APPENDIX H
LETTER FROM OCCIDENTAL PETROLEUM
CORPORATION VICE PRESIDENT AND CHIEF
FINANCIAL OFFICER



Corporate Health, Environment and Safety Dept.



VIA CERTIFIED MAIL

Secretary
Louisiana Department of Environmental Quality
Post Office Box 4313
Baton Rouge, Louisiana 70821-4313
Attention: Office of Environmental Services,
Water and Waste Permits Division

March 31, 2006

Attn: Hoa Van Nguyen
Office of Management and Finance, Financial Services Division

Re: Occidental Chemical Corporation
Financial Assurance Documentation
SI-2-1288 - Hahnville, Louisiana
GD-089-1288 - Hahnville, Louisiana
GD-093-0517 - Convent, Louisiana

Dear Mr Nguyen:

Pursuant to Louisiana Solid Waste Rules and Regulations under LAC 33:VII.727.A.2, Occidental Chemical Corporation hereby provides the following documentation regarding:

1. Use of the Financial Test and Corporate Guarantee to demonstrate financial assurance for closure and post-closure care for the subject Occidental Chemical Corporation facilities.
2. A copy of the consolidated financial statements as of December 31, 2005 for Occidental Petroleum Corporation and Consolidated Subsidiaries, together with the report of our independent public accountants, as included in the Annual Report.

If you have any questions concerning this information or the documents supplied with this letter, please contact me at by telephone (972) 404-2411 or by e-mail at frederick_fedri@oxy.com.

Very truly yours,

OCCIDENTAL CHEMICAL CORPORATION

Frederick G. Fedri
Corporate HES Principal Environmental Specialist
Phone: (972) 404-2411



Occidental Chemical Corporation
Corporate Office
5005 LBJ Freeway, Dallas, TX 75244-6119
P.O. Box 809050, Dallas, TX 75380-9050
972/404-3800





OCCIDENTAL PETROLEUM CORPORATION

10889 WILSHIRE BOULEVARD
LOS ANGELES, CALIFORNIA 90024
TELEPHONE (310) 208-8800
FACSIMILE (310) 443-6690

STEPHEN L. CHAZEN
SENIOR EXECUTIVE VICE PRESIDENT
AND
CHIEF FINANCIAL OFFICER

Direct Telephone (310) 443-6311
Direct Facsimile (310) 443-6812

March 31, 2006

Solid Waste Facility Letter From The Chief Financial Officer

(Liability Coverage, Closure, and/or Post-Closure)

Secretary
Louisiana Department of Environmental Quality
Post Office Box 4313
Baton Rouge, Louisiana 70821-4313

Attention: Office of Environmental Services
Water and Waste Permits Division

Dear Sir:

I am the chief financial officer of Occidental Petroleum Corporation, 10889 Wilshire Boulevard, Los Angeles, California 90024. This letter is in support of this firm's use of the financial test to demonstrate financial responsibility for closure and post-closure as specified in LAC 33:VII.727.A.2.

1. The firm identified above is the parent corporation of the permit holder or applicant for a standard permit of the following solid waste facilities, whether in Louisiana or not, for which liability coverage is being demonstrated through the financial test specified in LAC 33:VII.727.A.1. The amount of annual aggregate liability coverage covered by the test is shown for each facility:

None

2. The firm identified above is the parent corporation of the permit holder or applicant for a standard permit of the following solid waste facilities, whether in Louisiana or not, for which financial assurance for closure and post-closure is demonstrated through a financial test similar to that specified in LAC 33:VII.727.A.2 or other forms of self-insurance. The current closure and post-closure cost estimates covered by the test are shown for each facility:

None

LA-2

3. This firm guarantees through a corporate guarantee similar to that specified in LAC 33:VII.727.A.2 closure and post-closure care of the following solid waste facilities, whether in Louisiana or not, of which Occidental Chemical Corporation is a subsidiary of this firm. The amount of annual aggregate liability coverage covered by the guarantee for each facility and/or the current cost estimates for the closure and/or post-closure care so guaranteed is shown for each facility:

<u>Facility</u>	<u>Cost</u>
ALD 008 163 388 Mobile, Alabama Plant Site Occidental Chemical Corporation 1300 Jarvis Road Mobile, Alabama 36611	\$ 705,299
ALD 004 019 642 Muscle Shoals, Alabama Plant Site Occidental Chemical Corporation Wilson Dam Rd. Sheffield, Alabama 35660	\$ 28,788,243
CA4 170 024 414 27R Hazardous Waste Trench Unit Occidental of Elk Hills, Inc. 28590 Highway 119 Tupman, California 93276-1001	\$ 1,401,371
CAD 009 184 508 Occidental Chemical Corporation 16777 Howland Road Lathrop, California 95330	\$ 2,300,000
DED 003 913 266 Delaware City Plant Site Occidental Chemical Corporation 1657 River Road New Castle, Delaware 19720	\$ 698,360
KSD007482029 Basic Chemicals Company LLC 6200 South Ridge Road Wichita, KS 67215	\$ 2,503,050
Civil Action No. 04-2220 Consent Decree Highway 71/72 Refinery Site Bossier Parish, LA Bossier City	\$ 14,700,000
AI3544 / GD093-0517 Permit Application P-0084 Occidental Chemical Corporation 7377 Hwy 3214 Convent, LA 70723	\$ 284,588 \$ 11,812

LA-3

EPA ID No. LAD 092681824	\$ 1,227,429
Basic Chemicals Company LLC	\$ 2,666,476
Geismar, Louisiana 70734	
AI 1137 / GD-089-1288	
Occidental Chemical Corporation	
266 Highway 3142	
Hahnville, Louisiana 70057	
Permit Application P-0011	\$ 11,020,737
	\$ 209,919
Permit Application P-0262	\$ 4,493,837
	\$ 304,382
Permit Application P-0263	\$ 0
	\$ 174,128
Permit Application P-0264	\$ 799,266
	\$ 256,311
Civil Action No. JH-88-3655 Consent Decree	\$ 232,594
Maryland Sand Gravel and Stone	
Superfund Site	
Elkton, Maryland	
M.C. 49-35-1	\$ 300,972
Mississippi Department of Environmental	
Quality	
Nashville Ferry Brownfield Agreement Site	
Nashville Ferry Road	
Columbus Mississippi 39701	
NJL800629255	\$ 500,000
859-873 Summer Avenue	
Block No. 839, Lot 32	
Essex County Newark, New Jersey	
NJ ISRA No. 98439	\$ 337,000
Occidental Chemical Corporation	
Burlington Twp Site (1804 River Road)	
651 Tonnele Ave	
Jersey City, New Jersey 07307	
NJ ISRA No. 86336	\$ 245,000
Former Diamond Shamrock Chemicals Co	
Occidental Chemical Corporation	
651 Tonnele Avenue	
Jersey City, New Jersey 07307	

LA-4

New Jersey Discharge Prevention & Control DPCC financial guarantees Pedricktown and Jersey City	\$ 2,000,000
NYD 000 824 482 Niagara Falls, New York Plant Site Occidental Chemical Corporation Buffalo Avenue & 47th Street Niagara Falls, New York 14302	\$ 27,272,904
NYD 002 103 216 Niagara Falls Plant Site Durez Corporation 5000 Packard Avenue Niagara Falls, New York 14304	\$ 1,415,691
NYD 002 920 312 Hooker Chemical/Ruco Polymer Superfund Site New South Road Hicksville, NY 11801	\$ 8,500,000
NYD 980 506 810 102 nd Street Superfund Site Niagara Falls, NY 14302	\$ 1,000,000
OHD 990 747 859 Kenton, Ohio Plant Site Durez Corporation 13717 State Route 68 South Kenton, Ohio 43326	\$ 1,641,680
PAD 002 334 753 Pottstown, Pennsylvania Superfund Site Occidental Chemical Corporation Armand Hammer Boulevard Pottstown, Pennsylvania 91464	\$ 15,714,872
PAD 002 334 753 Pottstown, Pennsylvania Superfund Site Admin Order on Consent Unlined Lagoon Focused Feasibility Study Occidental Chemical Corporation Armand Hammer Boulevard Pottstown, Pennsylvania 91464	\$ 600,000
PAD 002 334 753 Pottstown, Pennsylvania Occidental Chemical Corporation Armand Hammer Boulevard Pottstown, Pennsylvania 91464	\$ 5,303,729

LA-5

TN0001890839 Copper Basin Mining District Davis Mill Creek Watershed North Potato Creek Watershed Toccoa Street, HWY 68 Copperhill, TN 37317	\$ 53,900,000
IDL 60-0055 Occidental Chemical Corporation Santa Fe Pike Columbia, Tennessee 38401	\$ 1,723,123 \$ 901,504
TXD 982 286 932 Ingleside, Texas Plant Site Occidental Chemical Corporation Highway 361 Gregory, Texas 78359	\$ 1,872,065
TXD 981 911 209 Deer Park, Texas Plant Site Oxy Vinyls, LP P.O. Box 500 Deer Park, Texas 77536	\$ 7,035,130
WAD 009 242 314 Tacoma, Washington Plant Site OCC Tacoma, Inc. 605 Alexander Avenue Tacoma, WA 98421	\$ 5,754,133
EPA Docket No. CERCLA 10-2002-0066 Commencement Bay Nearshore/Tideflats Superfund Site Area 5106, Hylebos Waterway Tacoma, WA 98421	\$ 10,698,302
Total	\$ 219,493,907

4. This firm is the owner or operator of the following solid waste facilities, whether in Louisiana or not, for which financial assurance for liability coverage, closure and/or post-closure care is not demonstrated either to the U.S. Environmental Protection Agency or to a state through a financial test or any other financial assurance mechanism similar to those specified in LAC 33:VII.727.A.1 and/or 2. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

None

LA-6

This firm is required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

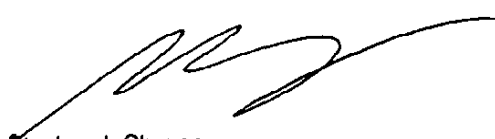
The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed year, ended December 31, 2005.

Part B. Closure And/Or Post Closure

ALTERNATIVE II

1. Sum of current closure and post-closure cost estimates (total of all cost estimates shown above)	\$	219,493,907
2. Current bond rating of most recent issuance of this firm and name of rating service	Standard & Poor's Moody's Investors Service	A - A3
3. Date of issuance of bond		March 3, 2003
4. Date of maturity of bond		March 15, 2010
*5. Tangible net worth (If any portion of the closure and/or post-closure cost estimate is included in "total liabilities" on your firm's financial statement, you may add the amount of that portion to this line)		\$15,013,000,000
*6. Total assets in U.S. (required only if less than 90% of the firm's assets are located in the U.S.)		\$20,763,000,000
	Yes	No
7. Is line 5 at least \$10 million?	X	
8. Is line 5 at least 6 times line 1?	X	
*9. Are at least 90% of the firm's assets located in the U.S. ? If not, complete line 10.		X
10. Is line 6 at least 6 times line 1?	X	

I hereby certify that the wording of this letter is identical to the wording specified in LAC 33:VII.727.a.2.i.iv.(e).


 Stephen I. Chazen
 Senior Executive Vice President and Chief Financial Officer
 March 31, 2006

LA-7

**SOLID WASTE FACILITY CORPORATE GUARANTEE FOR LIABILITY COVERAGE
CLOSURE, AND/OR POST-CLOSURE CARE**

Guarantee made this March 31, 2006, by Occidental Petroleum Corporation, a business corporation organized under the laws of the State of Delaware, hereinafter referred to as guarantor, to the Louisiana Department of Environmental Quality, obligee, on behalf of our subsidiary, Occidental Chemical Corporation of Occidental Tower, 5005 LBJ Freeway, Dallas, Texas 75244.

Recitals

1. The guarantor meets or exceeds the financial test criteria and agrees to comply with the reporting requirements for guarantors as specified in LAC 33:VII.727.A.2.i.ix.
2. Occidental Chemical Corporation is the permit holder, hereinafter referred to as permit holder for the following solid waste facility covered by this guarantee:

Guarantee Required For:

AI 1137 / GD-089-1288

Occidental Chemical Corporation

266 Highway 3142

Hahnville, Louisiana 70057

Permit Application P-0011

closure	\$ 11,020,737
post-closure	\$ 209,919

Permit Application P-0262

closure	\$ 4,493,837
post-closure	\$ 304,382

Permit Application P-0263

closure	\$ 0
post-closure	\$ 174,128

Permit Application P-0264

closure	\$ 799,266
post-closure	\$ 256,311

AI3544 / GD093-0517

Permit Application P-0084

Occidental Chemical Corporation

7377 Hwy 3214

Convent, LA 70723

closure	\$ 284,588
post-closure	\$ 11,812

3. "Closure plans" as used below refers to the plans maintained as required by the *Louisiana Administrative Code*, Title 33, Part VII, for the closure and/or post-closure care of the facility identified in Paragraph 2 above.

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4. For value received from permit holder, guarantor guarantees to the Louisiana Department of Environmental Quality that in the event that permit holder fails to perform closure and post-closure care of the above facility in accordance with the closure plan and other permit requirements whenever required to do so, the guarantor shall do so or shall establish a trust fund as specified in LAC 33:VII.727.A.2.d., as applicable, in the name of permit holder in the amount of the current closure and/or post-closure estimates as specified in LAC 33:VII.727.A.2.
5. Paragraph intentionally blank – Does not apply
6. The guarantor agrees that if, at the end of any fiscal year before termination of this guarantee, the guarantor fails to meet the financial test criteria, guarantor shall send within 90 days, by certified mail, notice to the administrative authority and to permit holder that he intends to provide alternative financial assurance as specified in LAC 33:VII.727.A.2, as applicable, in the name of the permit holder, within 120 days after the end of such fiscal year, the guarantor shall establish such financial assurance unless permit holder has done so.
7. The guarantor agrees to notify the administrative authority, by certified mail, of a voluntary or involuntary proceeding under Title 11 (Bankruptcy), U.S. Code, naming guarantor as debtor, within 10 days commencement of the proceeding.
8. The guarantor agrees that within 30 days after being notified by the administrative authority of a determination that guarantor no longer meets the financial test criteria or that he is disallowed from continuing as a guarantor of closure and/or post-closure care he shall establish alternate financial assurance as specified in LAC 33:VII, 727.A.2 as applicable, in the name of permit holder unless permit holder has done so.
9. The guarantor agrees to remain bound under this guarantee notwithstanding any or all of the following: amendment or modification of the closure and or post-closure care, the extension or reduction of the time of performance of closure and/or post-closure or any other modification or alternation of an obligation of the permit holder pursuant to the *Louisiana Administrative Code*, Title 33, Part VII.
10. The guarantor agrees to remain bound under this guarantee for as long as the permit holder must comply with the applicable financial assurance requirements of LAC 33:VII.727.A.2 for the above-listed facility except that guarantor may cancel this guarantee by sending notice by certified mail, to the administrative authority and to the permit holder, such cancellation to become effective no earlier than 90 days after receipt of such notice by both the administrative authority and the permit holder, as evidenced by the return receipts.
11. The guarantor agrees that if the permit holder fails to provide alternative financial assurance as specified in LAC 33:VII.727.A.2, as applicable, and obtain written approval of such assurance from the administrative authority within 60 days after a notice of cancellation by the guarantor is received by the administrative authority from guarantor, guarantor shall provide such alternate financial assurance in the name of the permit holder.

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12. The guarantor expressly waives notice of acceptance of this guarantee by the administrative authority or by the permit holder. Guarantor expressly waives notice of amendments or modifications of the closure and/or post-closure plan and of amendments or modifications of the facility permit(s).

I hereby certify that the wording of this guarantee is identical to the wording specified in LAC 3:VII.727.A.2.i.ix.(l), effective on the date first above written.

Effective date: March 31, 2006

Occidental Petroleum Corporation


Stephen I. Chazen
Senior Executive Vice President and Chief Financial Officer

STATE OF CALIFORNIA :

: SS.:

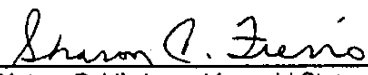
COUNTY OF LOS ANGELES:

On March 31, 2006, before me, Sharon C. Ferrio, notary public, personally appeared Stephen I. Chazen, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.



[Notarial Seal]


Notary Public in and for said State